[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	FFr7.00	Malaysia	[illegible]	Switz	SFr2.30
Germany	DM2.30	Mexico	Peso500	Taiwan	NT$65
Greece	Dr120	Morocco	Dh8.50	Thailand	Bt50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.900
Iceland	Ikr125	Nigeria	Naira10	Turkey	L900
India	Rup15	Norway	Nkr10.00	UAE	Dh6.50
Indonesia	Rp3160	Oman	OR1	USA	$1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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US IMPORTS

Pledges on steel leave big doubts

Page 8

World News

IRA bombs British mainland barracks

Irish Republican Army (IRA) terrorists struck deep into the heart of the English Midlands when bombs caused extensive damage to the barracks of the Parachute Regiment at Shrewsbury, in the first attack on the mainland since August last year.

More than 50 troops of the regiment's 2nd battalion were evacuated minutes before a series of blasts after sentries challenged two men inside the perimeter fence and raised the alarm. Page 18

Tower report

White House received the final FBI report into allegations of financial impropriety involving the Defence Secretary-designate John Tower. Background, Page 4

EC weapons pact

EC member states approved export controls on eight key chemicals that can be made into weapons. Page 3

Apartheid changes

South Africa's ruling National Party moved away from the extreme rigidities of apartheid by announcing the appointment of a "free settlement board." Page 6

Greek PM criticised

Criticism is mounting among senior members of Greece's ruling Socialist party (Pasok) against the leadership of Mr Andreas Papandreou, Prime Minister, over his handling of the scandal involving Mr George Koskotas, former banker. Page 2

Brazil dam protest

A historic protest meeting was called by Indian leaders to halt the Cararao new dam complex in the heart of Brazil's Amazon region. Page 18

Spanish forest fires

More than 100 forest fires swept the Asturias region of Spain and a local fire official said most had been started deliberately.

Mandela bodyguard

Andrew Leretedi Ekaneng, a former bodyguard of black nationalist Winnie Mandela, appeared in a Johannesburg court charged with the murder of Maxwell Madonda, another bodyguard.

Chernobyl visit

President Mikhail Gorbachev, Soviet leader, on a tour of the Ukraine, will visit the site of the 1986 Chernobyl nuclear power plant disaster.

Cairo peace talks

Moscow gained further Arab support for its Middle East peace initiative in talks in Cairo between Mr Eduard Shevardnadze, Soviet Foreign Minister, and President Hosni Mubarak of Egypt. Page 18

Earthquake bill

The earthquake in Soviet Armenia in December caused 10bn roubles ($16bn) worth of damage, said officials.

Prison riot fire

Seven prisoners died and 22 were injured in a fire in a prison riot at San Felipe, northern Venezuela. Inmates were still holding a mother and her baby hostage.

$1.8bn bridge plan

Swedish and Danish officials have resurrected the idea of an 18km, $1.8bn, bridge between their countries.

Business Summary

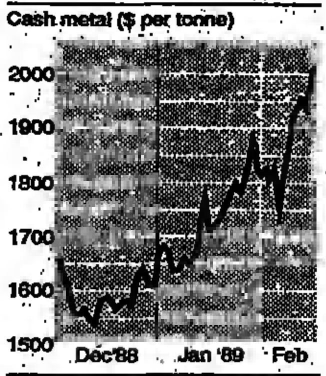
GA suffers further setback over NZI

NZI CORPORATION, problem-laden New Zealand insurance and banking group, scrapped a NZ$290m ($171m) rights issue aimed at rebuilding its balance sheet, after unearthing accounting problems which caused an unusual NZ$13m loss in its life assurance operations. The discovery came as a fresh embarrassment for NZI's parent, General Accident, UK insurer, which bought 51 per cent of NZI last summer as part of a strategic push into the Pacific. Page 18

ZINC prices on the London Metals Exchange continued to advance yesterday, with cash high-grade metal closing at a record $2,005 a tonne. The market went even higher in early trading, before easing

Zinc

Cash metal ($ per tonne)



in a quiet afternoon. Traders said the Presidents' Day holiday in the US contributed to the later quietness and discouraged follow-through interest. Commodities, Page 32

FOREIGN Ministers of the EC gave the European Commission the go-ahead to start negotiations on new trade accords with Poland and Bulgaria, amid signs that similar talks may soon start with the Soviet Union. Page 8

AMER, acquisitive Finnish consumer products group, has agreed to buy Wilson Sporting Goods, largest US sporting goods manufacturer, for $200m from Wesray Capital, New York-based investment company run by Mr William Simon, a former US Treasury Secretary. Page 19

BASS, Britain's biggest brewer, is strengthening its presence in the British wine and spirits market with the formation of a joint venture company with Bacardi International of the US and Martini and Rossi of Italy. Page 18

NATIONALE-Nederlanden, largest insurance company in the Netherlands, announced a rights issue that will raise around Fl 750m ($355.4m) and strengthen the balance sheet following a string of acquisitions. Page 19

COURTAULDS, UK textiles and chemicals group, has severed the last links with its origins, by selling Samuel Courtauld, the only company to bear the name of its original business, to Toray Industries of Japan for £26m ($45.8m). Page 18

WEST GERMANY'S trade surplus with Britain soared last year to a record DM22.4bn ($11.97m), up from DM17.2bn in 1987, as the overall German export surplus with the European Community rose 30 per cent to DM80.8bn. Page 3

CHRYSLER, third largest motor vehicle group in the US, expects revenues from the sales of cars and trucks outside the US to double to $2bn this year. Page 20

BOND CORPORATION, principal company in the burgeoning corporate empire of Australian entrepreneur Mr Alan Bond, reported after-tax earnings of A$152.8m ($135.7m) for the six months to December, up 40 per cent on the same period in 1987. Page 21

European Community will withdraw ambassadors from Iran

By William Dawkins and David Buchan in Brussels and Victor Mallet in London

THE European Community's 12 member states are to withdraw their ambassadors and heads of mission from Iran in a concerted protest at Ayatollah Khomeini's repeated death threats against Mr Salman Rushdie, the British novelist.

Britain will go further than its EC partners by withdrawing from Tehran its entire diplomatic staff of four. The four have been returning progressively to the Iranian capital since agreement between the two governments late last year.

Sir Geoffrey Howe, the UK Foreign Secretary, strongly hinted that Iran should close its London Embassy. "There can be no substance in our relationship in... these circumstances," he said.

Sir Geoffrey welcomed yesterday's EC decision as "a strong concerted signal" that the Ayatollah's statements were "an affront to normal standards of international behaviour." He was satisfied that the EC had taken the "strongest possible united position."

Yesterday's decision opens the most serious rift between the EC and Iran since the Community imposed collective trade sanctions in May 1980.

The diplomatic sanctions start immediately and continue until Iran declares "its respect for international obligations and renouncea the use or threatened use of violence," according to a formal statement from the meeting of Foreign Ministers. The ministers also agreed to suspend high-level official visits to Iran. While they stressed their "fullest respect for the religious feelings of all peoples," the ministers underlined their determination to defend freedom of expression within their territories.

Mr Francisco Fernández Ordóñez, Foreign Minister of Spain which currently holds the EC Presidency, will inform both the Iranian Government and the UN of the EC action.

Last night Mr Mohammad Basti, the Iranian charge d'affaires in London, was summoned to the Foreign Office to be told of Britain's stand. He was not explicitly ordered to leave and diplomatic relations have not been formally cut, but British officials told him it would be pointless to stay.

Earlier, Iranian leaders appeared unrepentant about the affair. At a public audience with Ayatollah Khomeini, broadcast by Tehran Radio, hundreds of Iranians chanted their approval when Mr Mehdi Karrubi, Deputy Speaker of Parliament, reiterated that Mr Rushdie would be killed.

West Germany, which has the largest slice of EC trade with Iran, has already withdrawn its chargé d'affaires from Tehran. Britain, which with Italy has the next largest share of EC-Iranian trade, will be calling back its chargé d'affaires only weeks after he was posted as part of the gradual upgrading of diplomatic ties.

The EC sanctions are likely to be greeted with dismay by Iranian moderates who had hoped to enlist Western assistance for reconstruction after the ceasefire in the Gulf war with Iraq.

Khamenei visit, Page 2; Editorial comment, Page 16

Gold Fields rejects Minorco bid valuing group at £3.2bn

By Clay Harris and Kenneth Gooding in London

MINORCO, the South African-controlled investment company, yesterday renewed its bid for Consolidated Gold Fields with an offer valuing the UK mining and construction materials group at £3.2bn ($5.7bn).

The offer, the largest ever mounted for a UK company, was dismissed by Gold Fields as an effort to buy it "on the cheap." Minorco already owns 29.6 per cent of Gold Fields.

Luxembourg-based Minorco, controlled by the Oppenheimer family, set its latest cash-and-shares terms to value each Gold Fields share at £14, compared with the initial £13 price under a similar offer launched last September. By yesterday's close, a rise in the Minorco price had lifted the offer to £14.08. Gold Fields shares ended 8p higher at £14.43.

The first offer lapsed in October on referral to the Monopolies and Mergers Commission, which earlier this month unanimously cleared Minorco to bid again. Last week, the European Commission said it did not plan to stand in the way of such a takeover.

Minorco still faces a hurdle, however, in the form of a US federal court injunction which forbids it to purchase any Gold Fields shares. The latest bid is conditional on the injunction, which is under appeal, being lifted or modified.

With both sides lining up behind familiar battle lines, Gold Fields' prospects of retaining its independence are likely to turn solely on price. Much may depend on the asset valuation which Gold Fields is expected to publish as part of its defence.

Sir Michael Edwardes, Minorco chief executive, yesterday launched a pre-emptive strike. "Any price must focus on the earnings performance actually achieved," he said. "On this basis, the higher the defence pitch their asset value, the less credible their performance in terms of earnings in recent years."

To shed "passive" stakes which give Gold Fields no control over cash flow, Minorco intends selling minority holdings in Gold Fields of South Africa, the US-based Newmont Mining and Renison Consolidated Goldfields of Australia. It would retain the wholly owned ARC construction materials companies in the US and Britain and US-based Gold Fields Mining Corporation.

Mr Rudolph Agnew, Gold Fields' chairman and chief executive, said, however, that shareholder value was not increased by "maximising earnings from operating assets and control of cash flow," as Minorco suggested, but by creating businesses such as ARC and GFMC – "these great businesses they talk about were created here, by this management."

He claimed Minorco had no executive management with the skills to take day-to-day control of the companies. Far from "creating a major international resource group," as Minorco claimed was the intention, "it would be breaking one up."

Mr Agnew said Gold Fields would issue its interim financial statement "within a week" and would not wait until Minorco sent out its formal offer document.

Responding to Sir Michael's reminder that Gold Fields' directors had sold shares in their company at prices below £10 each during the past 14 months, Mr Agnew said: "This is the argument of the kindergarten or the gutter. People buy and sell shares for all manner of reasons. It is absurd to suggest that, because a director has sold a few shares at a certain price, he could not argue that his company is not worth more."

Sir Michael, meanwhile, noted that the cash element of the offer alone exceeded the average market price for Gold Fields in the six months before the first bid. The Minorco shares could, he argued, be viewed as a bonus.

He also made another strong defence of Minorco's South African links, saying that the MMC and EC clearances had established beyond doubt that Minorco would not be discriminated against.

The proposed share issue would reduce the proportion of Minorco directly held by Anglo American and De Beers, the two main corporate props of the Oppenheimer empire, from 60.1 per cent to 41 per cent. However, this understates the Oppenheimer role, as the MMC found that 71 per cent of Minorco shares were owned by the Oppenheimer family or its associates.

For each two Gold Fields shares, Minorco is offering one of its own shares and £20.50 in cash. Minorco is advised by Morgan Grenfell and Lazard Frères, Gold Fields by Schroders.

Lex, Page 18; Background, Page 19; Gold slide raises doubts, Page 32

Looking ahead: Mrs Margaret Thatcher, British Prime Minister, with Chancellor Helmut Kohl in Frankfurt yesterday

Thatcher opposed to missile reductions

By David Marsh in Frankfurt

MRS Margaret Thatcher, the British Prime Minister, yesterday reaffirmed to the West German Government her opposition to cuts in East and West short-range nuclear missiles in Europe.

In talks with Mr Helmut Kohl, the West German Chancellor, Mrs Thatcher maintained that Nato needed to give priority to strong defences to keep up deterrents against the Warsaw Pact.

Mr Kohl voiced his hope that the US, Britain and West Germany could reach accord on the short-range missiles question at the forthcoming Nato summit in May. However, clear differences persist between Bonn and London on the priority to be given to disarmament on the one hand and the introduction of new 450km-range weapons on the other hand.

The US and Britain want Nato to make a commitment in May to station the new missiles in 1995 to replace elderly 120km Lance missiles.

Mr Kohl agrees that Nato should keep its weaponry "up to date," but is sticking to his view that a clear decision on Lance is not yet necessary.

Despite the divergences over Lance modernisation, both sides described the talks as harmonious.

Mr Kohl and Mrs Thatcher agreed that the West should remain on its guard in case the reform process of Mr Mikhail Gorbachev, the Soviet leader, meets setbacks in the Soviet Union.

They discussed the effect on public opinion of *rapprochement* between the superpowers. Mr Kohl took the view that scenes of friendship between Mr Gorbachev and former US President Ronald Reagan had

Continued on Page 18

West German trade surplus with UK hits record, Page 3

EC, Japan to share fusion research

By William Dawkins in Brussels

THE European Community and Japan yesterday agreed to pool information on research into nuclear fusion, the first bilateral accord by Brussels and Tokyo in the scientific field.

The three-year accord will involve the exchange of research scientists in fusion, a technology which holds out a promise for a cheaper and safer form of nuclear energy than the currently used fission process. Fusion creates energy by bonding atomic particles at high temperature; fission releases heat by splitting atoms.

Japan had been pressing for the link in recognition of the EC's leadership in fusion research, and the accord could be followed in the next few years by a similar agreement with the Soviet Union, a European Commission official said.

Japan, the Soviet Union and the US are working with the Community on the design for an engineering test reactor, and all four are also continuing their own individual research programmes.

"There is scope for co-operation between these programmes because their strategies are broadly similar, although their avenues of research are different. No single programme could possibly encompass all the research avenues," a Commission spokesman said.

The Community has earmarked Ecu795m ($899m) for fusion research in the five years to 1992. Main beneficiaries will be the Joint European Torus at Culham, in Britain, the largest scientific fusion experiment in the world, and the Next European Torus, which will test the technical feasibility of fusion.

Big three Swiss banks all had financial losses in London

By David Lascelles, Banking Editor, in London

ALL of the big three Swiss banks have lost money in London in recent years, not just Union Bank of Switzerland which disclosed losses of £115m ($202.4m) in its Phillips & Drew subsidiary last week. Little or no indication of these losses was given in the banks' annual reports.

According to records filed at Companies House in London and reports of stock analysts, the three banks have lost nearly £60m, in addition to the P&D losses, since 1986. Further losses are also believed to have been incurred through their US securities subsidiaries.

In 1987, UBS, the largest Swiss bank, made additional losses of £29.9m in its London-based Euromarket subsidiary and in the same year, Swiss Bank Corporation's London arm lost £27.7m, including costs associated with the purchase of Savory Milln, the UK stockbroking firm.

Credit Suisse also disclosed a small loss through its London stockbroker, Buckmaster and Moore, in its 1987 annual report.

The banks have been able to keep quiet about most of their overseas losses because of the absence of any requirement by the Swiss banking authorities for them to publish consolidated accounts.

An official at the Swiss Bank Commission in Berne said yesterday that the banks filed consolidated accounts to the regulatory authority, but it was up to them what they disclosed publicly.

A London bank stock analyst said: "It is extremely difficult to get this sort of information out of the Swiss."

The losses show that Swiss banks are not immune to the severe competitive pressures which have swept the London markets since the regulatory changes brought on by the Big Bang. The banks are due to begin reporting their 1988 results later this week.

● British companies will be able to impose tougher sanctions on "mystery" stakebuilders, under new rules set out yesterday by the International Stock Exchange, writes Nikki Tait.

The ISE has agreed to bolster the action which a listed company may take by means of its articles of association when there is non-compliance with a notice sent out under section 212 of the Companies Act. Such notices, posted by the company itself, require shareholders to disclose the beneficial ownership of their holdings in the company.

At present, when there is non-compliance with a section 212 notice, ISE rules allow a listed company to disenfranchise the relevant shares 28 days after the notice has been posted.

Under the new rules, the sanction may be imposed after 14 days provided that the

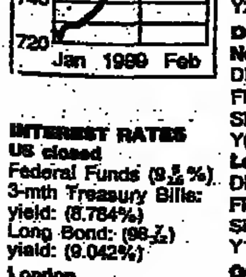
Swiss disclosures, Page 24

Continued on Page 18

MARKETS

Finland

Unitas general index



STERLING

New York closed

$(1.7775)

London:

$1.7635 (1.7660)
DM3.2500 (3.2625)
FFr11.0750 (11.1050)
SFr2.7625 (2.7700)
Y223.00 (223.75)

DOLLAR

New York closed

DM(1.837)
FFr(6.251)
SFr(1.5595)
Y(125.9)

London:

DM1.8435 (1.8370)
FFr6.2800 (6.2525)
SFr1.5670 (1.5595)
Y126.45 (126.00)

GOLD

New York Comex

$ closed

STOCK INDICES

New York

Dow Jones Ind. Av. closed
S&P Comp closed

London:

FT-SE 100

2,065.8 (+22.9)

World:

146.49 (Fri)

Tokyo

Nikkei Ave
32,177.08 (+3.69)

Frankfurt

Commerzbank
1,681.4 (+1.1)

OIL

Brent 15-day (Argus)
$16.825 (+.125)
(March)
West Tex Crude
$ closed

INTEREST RATES

US closed

Federal Funds ($9\frac{5}{16}$%)
3-mth Treasury Bills: yield: (8.784%)
Long Bond: ($98\frac{7}{32}$)
yield: (9.042%)

London

3-month Interbank: close $12\frac{11}{32}$% (same)

CONTENTS

Pressure grows in South Korea against US troop presence

President Roh Tae Woo of South Korea is well aware that the deaths of two of his countrymen in incidents involving US soldiers will raise anti-American feeling ahead of tha visit by President George Bush next week

Page 6

President Khamenei inspects a guard of honour at Belgrade airport yesterday with Mr Raif Dizdarevich, his Yugoslav counterpart.

Iran President in Yugoslavia

By Judy Dempsey in Vienna

THE ARRIVAL yesterday in Yugoslavia - home to 4m Moslems - of President Ali Khamenei of Iran coincided with the announcement by the country's publishers that they would proceed with publication of "The Satanic Verses" despite the death threats by Ayatollah Khomeini against its author, Mr Salman Rushdie.

In what appears to be a defiant attitude among Yugoslav publishers, several yesterday said they were competing to buy the translation rights from a West German publisher who holds the rights for Eastern and south-eastern Europe.

Yugoslavs have already had a chance to read parts of the novel in serial form in Borba, the Communist party daily.

Journalists in Belgrade say that Borba intends to continue running the series as President Khamenei travels today to Sarajevo, the capital of Bosnia-Hercegovina, the heartland of Europe's largest and oldest Moslem community.

So far, the leaders of Yugoslavia's Moslems, who belong to the Sunni, and not the Shi'ite fundamentalist community which dominates Iranian politics, have refrained from commenting on the novel. But it is understood they will discuss it later this week.

Over the past few years, Yugoslavia's Sunni Moslems have maintained a considerable distance from the Iranian Shi'ites. At the same time, they seem increasingly pre-occupied with secular and not spiritual issues.

Last week, some 500 imams held a protest in Sarajevo, demanding more democracy in Moslem community affairs and accused current Moslem leaders of being appointees of the Communist authorities.

President Khamenei goes to Romania tomorrow on the second leg of a trip which is aimed at closer economic co-operation and bilateral ties.

Uneasy calm after Finland's SDP storm

Olli Virtanen in Helsinki reviews the ramifications of a party's politics

"FINLAND," said one of the country's leading political analysts last week, "is now so stable that it can afford to let its most experienced and respected Foreign Minister depart and replace him with a man who has no foreign policy experience whatsoever."

Finland may well be stable but the Social Democratic Party (SDP), which orchestrated the move and replaced Mr Kalevi Sorsa with Mr Pertti Paasio, the party chairman, creating a mini government crisis in the process, is certainly not.

As Finland's biggest party – with 56 seats in the 200-strong parliament (Eduskunta) – the SDP has been the stabilising force in Finnish politics for the past two decades. Its influence has spread much wider than the numbers would imply and with pragmatism constantly gaining popularity over socialistic dogma in the party ranks, the SDP has virtually become a "state minder" party.

That, at least was the case till two years ago when Mr Sorsa, Finland's longest-serving Prime Minister and Foreign Minister, resigned as chairman of the SDP.

In April 1987 Finland got an historic coalition Cabinet, led by the conservatives and the SDP. Mr Sorsa became Foreign Minister and the former SDP party secretary, Mr Erkki Liikanen was appointed Finance Minister.

Mr Sorsa and Mr Liikanen, who had run the SDP for years, assumed independent – and influential – roles in the Cabinet while their respective successors, Mr Paasio and party secretary, Ms Ulpu Iivari, often found themselves at odds with the SDP group of ministers.

The SDP's dual role created constant friction. The party headquarters frequently opposed the Government's plans agreed by the SDP ministers. The situation was to be corrected by bringing Mr Paasio into the Government. However, none of the party's ministers was willing to step down until Mr Sorsa announced at the end of January that he would volunteer.

In a surprise move, the SDP subsequently decided to propose that Mr Paasio should succeed Mr Sorsa instead of a shuffle among the SDP ministers, which would elevate a more experienced person as foreign minister and deputy prime minister leaving the newcomer a less prestigious portfolio.

Mr Sorsa's move further polished his image as the country's leading politician and a likely successor to Mr Mauno Koivisto, the Finnish President, should he decide not to run for a third six-year term in 1994.

The old guard of the SDP; Kalevi Sorsa (left) and Erkki Liikanen

But even Mr Sorsa's withdrawal was not enough to solve the SDP's problems. On the contrary. The party leadership decided to offer him the position of the Speaker of Parliament as a consolation prize. This started another round of "musical chairs" within the party as the previous Speaker, Mr Matti Ahde, was to be recompenced with a ministerial post. The SDP executive committee went on to plan a shuffle which involved two more SDP ministers, including the ouster of one of them.

The party's group of ministers and members of parliament, not to mention the rank and file, raised a revolt against the executive committee's plans which were seen as naked power politics with little regard to the SDP's democratic traditions. A day later Mr Paasio announced that no further changes would be made and Mr Ahde agreed to become a backbencher in the Parliament.

Few observers believe that Mr Paasio's new portfolio will completely solve the party's internal problems. As a newcomer he is yet to learn the ropes of the Cabinet. In running the country's foreign policy, Mr Paasio will take orders from the President as they come and refrain from his own initiatives. Finland was just elected as member of the United Nations Security Council, a position which could offer opportunities for raising the country's profile.

It is widely expected that Mr Sorsa will continue to wield influence as Speaker, not only in the Parliament but also within the party. And he could not have a more ideal position for running for a higher office in the future.

As Speaker of Parliament, Mr Sorsa is Finland's second ranking politician after the President and he is saved from getting his hands dirty in daily politics. If he is to leave that post before the presidential election in 1994, Mr Sorsa can assume his position as a member of the board of the Bank of Finland, the stepping board from which most of Finland's presidents have been elected for several decades.

Initial expectations that the "reborn" SDP would probably not create a major government crisis have given way to a highly public and often contentious debate on the fate and future of the four-party coalition Cabinet. Since the reshuffle, the Government has suffered constant strains over several issues, notably tax reforms and housing policy. Some Finnish analysts are even counting the days left for the Cabinet.

Tide of disapproval laps Papandreou

By Andriana Ierodiaconou in Athens

OPEN CRITICISM is mounting among senior members of Greece's ruling Socialist Party (Pasok) against the leadership of Mr Andreas Papandreou, the Prime Minister, over his handling of the political crisis caused by the scandal involving Mr George Koskotas, the former banker and press baron.

In a memorandum sent to Mr Papandreou last weekend, Mr George Alexander Mangakis, a former Justice Minister with a distinguished anti-junta record, castigated the Government for dragging its feet over the investigation into the Koskotas scandal, as well as for seeking to distract public attention by fomenting extremism in a manner detrimental to Greece's democratic political fabric.

Mr Koskotas, who enjoyed close relations with the Government, was charged with fraud last October and fled to the US where he was arrested. After vetoing the idea twice previously, the Socialists last week bowed to pressure and agreed to send a parliamentary delegation to interview him.

"The area of political ground represented by Pasok is not the property of any one individual or group of individuals," Mr Mangakis wrote in a clear attack on Mr Papandreou's leadership.

In a similar vein Mr Costas Simitis, a former Economy Minister who masterminded Greece's 1985-1987 stabilisation programme, warned in a weekend speech that "those who do not observe the rules of individual or social morality cannot belong to our party."

Sections of Greek society have also been scandalised in recent months by the Premier's open extramarital liaison with a much younger woman. An Athens area poll released last week showed the once super-charismatic Mr Papandreou to have slipped to fifth place in the preference of Pasok voters.

Minister champions market socialism for Sweden

By Robert Taylor in Stockholm

SWEDEN'S powerful Finance Minister, Mr Kjell Olof Feldt, has further enlivened the debate among the ruling Social Democrats about the future of their ideology with a vigorous declaration of his commitment to market socialism.

Writing in the latest issue of the party's theoretical journal under the title "What should we do with capitalism?", he lays down his commitment to private enterprise, the benevolent power of market forces and the need for the party to face economic realities.

Mr Feldt asserts that the market economy, which he defines as decentralised economic decision-making, free competition in an open market and freedom of consumer choice, has won a total victory throughout the world against the only known alternative of the planned society.

While recognising that public intervention is necessary to ensure a better environment and full employment, he suggests that the market economy's capacity for flexibility and growth has "unquestionably" played a larger role in the abolition of poverty and the creation of working class affluence than any governmental interference in the distribution system.

In blunt words Mr Feldt calls on the Social Democrats to abandon their remaining anti-capitalist and class war rhetoric that is still used in the inner-party debates.

Protests fail to stop trial of eight Czech dissidents

By Leslie Colitt in Prague

AN AVALANCHE of protests from East and West has failed to distract the Czechoslovak authorities from preparations for today's trial of eight dissidents, including Mr Vaclav Havel, a leading playwright and human rights campaigner who has been in detention for more than a month.

Mr Havel, a founder of the Charter 77 movement, is to be tried in Prague's Third District Court on charges of "inciting" a banned demonstration in Prague last month and of obstructing law enforcement officers.

He attempted to place flowers at the statue to Saint Wenceslas on the 20th anniversary of the death of Mr Jan Palach, a student who set himself on fire in protest against the Soviet-led invasion.

The playwright faces a maximum two-year sentence. But in view of a flood of international protests, Western diplomats said he was likely to receive a lighter sentence.

Members of the Czechoslovak opposition feared that two other defendants, Ms Jana Petrova and Mr Otakar Veverka, could be imprisoned for "hooliganism."

Apart from the strong interest in the case shown by Western governments, the Czechoslovak leadership was also coming under pressure from the Soviet Union.

An unusually outspoken commentary by the Soviet press agency, Novosti, reprinted yesterday in Rude Pravo, the Czechoslovak Party newspaper, showed growing Soviet embarrassment over the 1968 occupation and the "normalisation" period of which Mr Havel was a victim.

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W German trade surplus with UK hits record

By David Marsh in Frankfurt

WEST GERMANY'S trade surplus with Britain soared last year to a record DM22.4bn (£12.7bn), up from DM17.2bn in 1987, as the overall German export surplus with the rest of the European Community rose 30 per cent to DM80.8bn.

The figures for last year were published yesterday by the Bundesbank as Mrs Margaret Thatcher, UK Prime Minister, visited the central bank's headquarters in Frankfurt for lunch with Mr Karl Otto Pöhl, Bundesbank president.

She and Mr Pöhl discussed prospects for closer harmonisation of European economies and the outlook for European monetary union, at present being studied by a committee of EC monetary experts. Mr Pöhl believes that a form of convergence towards *de facto* monetary union is already under way in the EC as a result of closer integration of markets and progressive scrapping of exchange controls.

Mr Pöhl, however, regards as a growing political problem the task of winning acceptance from other EC countries of a Community-wide monetary policy based on policies practised by the Bundesbank.

Yesterday's trade figures underlined how the stability of the D-Mark within the European Monetary System, combined with fast investment growth throughout the Community, has benefited West German industry. The West German trade surplus with the other 11 members of the EC formed well over half the country's DM128bn trade surplus last year. In 1987, the surplus with the EC was DM62.3bn.

West Germany increased surpluses in bilateral trade with all other larger EC members. With Italy the surplus rose to DM11.4bn from DM8.9bn, while it was up to DM18.2bn from DM16.1bn with France, DM10.9bn from DM9.7bn with Belgium/Luxembourg, DM3.7bn from DM1.1bn with the Netherlands and DM8.5bn from DM6.5bn with Spain.

The trade surplus with the US in 1988 showed a welcome fall to DM16.6bn from DM24.3bn. With Japan, West Germany's deficit rose to DM15.2bn from DM14.7bn. West Germany also chalked up a higher surplus of DM4.2bn with Communist countries, against DM3.5bn in 1987.

EC backs controls on chemicals for weapons

By David Buchan in Brussels

EC MEMBER states yesterday approved export controls on eight key chemicals that can be made into weapons.

The move was requested by West Germany, essentially as political cover for its embarrassment at allegations that West German companies have helped build a chemical weapons plant in Libya.

The new regulation, which will come into force once it is published in the EC's official journal in the next few days, bans export of the eight chemicals "if there is reason to believe the products in question will be used to make chemical weapons or are likely to be delivered directly or indirectly to belligerent countries or to zones of serious international tension."

It has little further practical effect than chemical export curbs already operated by member states as members of the so-called Australia group which has controlled the eight chemicals for some time.

In order to minimise Commission involvement in, and the Community character of, yesterday's accord, EC foreign ministers made clear that the regulation was only technical implementation of the decision they took last week in Madrid in a "political co-operation" meeting, at which the Commission had no formal standing.

Any decision to extend the chemical control list would be taken in the same forum.

● Ministers yesterday gave their blessing to the new truce in the transatlantic trade war negotiated by the Commission with the US over the weekend. This provides for a 75-day cooling off period during which a joint task force will study ways of easing the impact of the EC ban on US hormone-treated meat and of scaling down US retaliation.

Spanish inflation surges

By Peter Bruce in Madrid

THE SPANISH Government's ambitious inflation target of 3 per cent for 1989 was severely dented yesterday by provisional official figures showing that the consumer price index rose a full point in January, raising new fears that interest rates will have to go up to contain credit.

January's figures will badly damage the Government's efforts, in the face of union demands for a leftward shift in economic policy, to demonstrate that it can contain the cost of living while maintaining high economic growth.

Madrid forecast 3 per cent inflation for last year and was forced to revise this to 5 per cent in October. It ended the year on 5.6 per cent. Inflation worries prompted the Government to impose a tough credit squeeze at the end of January.

Channel rail go-ahead

By William Dawkins in Brussels

BRITISH and French railways yesterday got the green light from the European Commission to provide joint services through the Channel tunnel.

Cross-channel services provided by SNCF, the French state-owned rail group, British Rail and Eurotunnel, the Anglo-French group, have been exempted from European Community competition restrictions for three years. Brussels is also considering extending the exemption.

The Commission will allow the three companies to set joint traffic forecasts, common utilisation rules for the tunnel and to share the cross-channel rail market. It felt the agreements would help improve international transport, boost business links between all 12 EC partners and stimulate railways' technical progress.

Danish pay accord eases labour tension

THE PROSPECT of a serious labour market conflict this spring in Denmark has receded following a collective agreement for private sector office and shop workers, writes Hillary Barnes in Copenhagen. The deal makes an award of about 1 per cent but, after allowing for wage drift and a half-hour reduction in the working week, agreed earlier, it may put up hourly wage costs by at least 3 per cent, says the union.

Italy's ruling party turns again to Forlani

By John Wyles in Rome

IT WAS an ugly, but supremely testing moment for a politician. Wave upon wave of whistles and catcalls from a large and vociferous minority of his audience seemed determined on Sunday morning to upset Mr Arnaldo Forlani's keynote speech as the party's newly designated leader to the Christian Democratic Party (DC) congress.

The elegant 63-year-old veteran of many such occasions rocked slightly on his heels, looked to his right and left, and, taking advantage of the minutest pause in the cacophony, declared that "to be a true and serious thing, renovation must involve style and good behaviour."

While the magisterial reproach may lose in translation, it was effective on that very Italian occasion. At one and the same time, Mr Forlani had identified the troublemakers with the man he was effectively ousting, Mr Ciriaco De Mita, the Prime Minister, cast heavy doubt on the latter's claims to have made progress in renovating Italy's dominant party, and reminded the world that "style and good behaviour" have always been associated with the Forlani name.

His election as party secretary is to be formally confirmed by the congress tomorrow but Mr Forlani'a succession to Mr De Mita has been in little doubt since leaders of the party'a three factions imposed his nomination on a reluctant prime minister on Friday evening.

Mr Forlani owed much of his early rise in the party during the 1960s to Mr Amintore Fanfani, Budget Minister, aged 81 and father of the DC faction system. Mr Forlani enjoyed a first, youthful four-year term as secretary from 1969 as a symbolic affirmatioo of generational change from the then ageing top group which had comprised his mentor Mr Fanfani and Mr Aldo Moro.

Since then, the party has frequently turned to him either as a unifying figure in the absence of a majority faction, as on this occasion, or when in extreme political difficulty. His mix of self-deprecating toughness with the talent for mediation required of every DC "thoroughbred" earned him the enduring tag from one journalist of "rabbit-werewolf."

Forlani: stylish.

In 1981-82 he briefly headed a government which was brought down by the scandal in which many senior politicians were caught np in the sinister P2 masonic lodge.

Within a year he was Deputy Prime Minister to Mr Bettino Craxi, the Socialist Party leader, and their subsequent four-year partnership bred an unforseen mutual likiog and regard which could have direct bearing on future political developments.

Almost to his disadvantage, giveo the hostility and rivalry between the two coalition parties, Mr Forlani has come to be regarded as Mr Craxi's "sleeper" inside the DC.

As the man who derives great power from guaranteeing the DC a governing majority, Mr Craxi has fewer anxieties that Mr Forlani, unlike Mr De Mita, might try, *in extremis*, to cut him down to size by striking bilateral deals with the Communists. However, it remains to be seen how he will respond to Mr Forlani's call on Sunday for a more formal political alliance than the policy programme which is the binding for the De Mita coalition.

It is not only Mr Forlani's management of coalitioo politics which is likely to mark the change from the De Mita approach, it will also be seen in his running of the DC.

He and other members of the party's ruling class immensely disliked the centralised power which Mr De Mita accumulated and exercised through placemen in the party, the government and the public sector. In sharing out decisions, jobs and resources, he has promised to operate "collegially" and (this would be revolutionary) to leave the task of appointments to public sector jobs to the appropriste parliamentary committees.

Public policy, however, will be left to the Governmmeot. Responding to Mr De Mita's call for solid support for the Governmeot he is leading, Mr Forlani told him on Sunday that the De Mita coalition "will oever be put in question by DC manoeuvres."

Even so, such manoeuvres have brought down governments led by Christian Democrats and, although Mr Forlani sounded like a new broom on Sunday, there is little in his pedigree to suggest that he knows how to be one.

Shadow of Chernobyl over Gorbachev visit to Ukraine

By Quentin Peel in Moscow

MR MIKHAIL GORBACHEV set out yesterday to face a potentially hostile reception in the Ukrainian Republic, where rising nationalism and continuing anxiety over the consequences of the Chernobyl nuclear disaster have aroused public opinion.

Only weeks after the politburo announced plans to spend an extra Roubles 248m (£220m) to deal with the fall-out from the 1986 accident, Mr Gorbachev is to pay his first visit to the stricken plant, where one giant reactor is now permanently encased in concrete.

The potential health hazards are an important issue in the Ukraine, with a new report only last week of abnormal numbers of deformed farm animals being born well outside the original evacuation zone. Also at least 20 more villages in neighbouring Byelorussia are to be evacuated because of the continuing high levels of fall-out north-west of the plant.

Mr Gorbachev faced some sharp questioning from crowds in the streets of Kiev, the Ukrainian capital, and used the opportunity to promise a review of plans for a nuclear power station in the Crimea. Ha said Moscow had decided to invite, as advisers, American scientists who had helped build nuclear plants in Japan.

The Soviet authorities would follow their sdvice on whether to continue building a nuclear plant in an area of seismic activity and a popular tourist region. His announcement could go some way to defuse the widespread hostility in the Ukraine towards nuclear power stations in the wake of the Chernobyl disaster.

Mr Gorbachev's trip is clearly intended as a new exercise in reassuring public opinion, which has united the Ukraine and Byelorussis in deep hostility to new nuclear power plants, and suspicion of the central government which continues to propose them.

The environmental concerns have fuelled re-emerging nationalist sentimeot in the Ukraine, the most populous republic in the USSR after the Russian Federation, pntting the conservative leaders of the local Communist Party under pressure.

Mr Gorbachev was greeted on arrival in Kiev, the Ukrainian capital, by Mr Vladimir Sbcherhitsky, the veteran party leader in the republic, who is the only member of the ruling politburo to have survived from the so-called "stagnation era" of Mr Leonid Brezhnev.

The fact that he has kept the Ukraine under control during the first three years of Mr Gorbachev's perestroika is seen as the key factor behind his survival, but the Soviet leader must be worried abont how loog a ceotralised and autocratic style can keep the oatiooalist demands in check.

The Soviet leader's public speeches will be carefully analysed for any hint of his sttitude to Mr Shcherbitsky, who is one of only two politburo members required to stand for a cootested election to the new national Congress of People's Deputies.

All the others, except Mr Vitaly Vorotnikov in the Russian Federation, are guaranteed of electioo on the official Communist party list.

Tower waits for Nunn to cast his vote

Peter Riddell reports that Congress is likely to follow the influential senator's lead

THE fate of Mr John Tower's nomination as US Defence Secretary now lies mainly in the agonised deliberations of Senstor Sam Nunn, a close colleague for many years in the past and now chairman of the Senate Armed Services Committee.

It was Mr Nunn's decision two weeks ago to raise questions over Mr Tower's personal fitness that first cast doubt on what had been seen as certain confirmation by the Senate of the nomination. His vote will now be the biggest single influence on the outcome – in committee and the full Senate.

Mr Nunn, aged 50 and in his 17th year as a senator for Georgia, not only has a big say over US defence policy but has also become one of the most powerful Democrats in Congress. When he speaks, people listen.

An unsolicited testimonial came a few years ago from a young Republican colleague on the Armed Services Committee. "Sam is very much the key vote on defence matters. He brings along a certain number of senators willing to follow his advice." The speaker was Senator Dan Quayle, now Vice-President.

Mr Nunn is often jokingly referred to as the Pope of Defence. His views – whether on arms cootrol, defence procurement or burden-sharing within the Nato – are often treated as almost *ex cathedra* pronouncements. By contrast, the thoughts of Senator Claiborne Pell, chairman of what is by tradition the equally powerful Senate Foreign Relations Committee, are largely ignored.

Senator Nunn has an aura of infallibility. Like Mr James Baker, Secretary of State, he has been until recently a figure who can do no wrong in the view of most Washington pundits.

The source of this undoubted influence is 50 per cent asset and 50 per cent default, according to Mr Loren Thompson, deputy director of the National Security Studies Programme at Georgetown University in Washington. The asset side is that Mr Nunn knows what he is talking about. He is much more than a legislative power broker and has devoted much time to mastering the minutiae of defence policy.

Mr Nunn has been able to do this because he has a safe seat. He won 80 per cent of the vote even in the generally Republican year of 1984. So, unlike many of his colleagues, he does not have to worry about a multitude of competing constituency interests. He has been able to concentrate.

Georgia has long had large defence interests and Senator Nunn has followed the steps of his great-uncle Carl Vinson, and of Richard Russell (one of the great southern voices in the Senate), long-serving chairmen of the House and Senate armed services committees respectively .

The default side of Mr Nunn's influence lies in the fact that there were two vacuums in defence policy-making.

Senator Sam Nunn: known as the Pope of Defence

The first was a general lack of Democratic interest in defence in the post-Vietnam era. The second was created by Mr Casper Weinberger's *laissez-faire* style of running the Pentagon from 1981 until last year. In the absence of a clear lead from the administration on priorities over weapons systems, Senator Nunn stepped in, hoping to impose discipline.

His style has been painstaking, assessing the evidence, cautious about committing himself, so when he makes known his views in his flat southern drawl they carry maximum weight. They did, for example, in early 1987 when he reshaped the debate over the strategic defence initiative and arms control.

During a period when the Democrats have been floundering in presidential contests, he has been on everyone's lists as vice-presidential timber, an option he declined last year.

However, Mr Nunn has been clearly among the right of his party, supporting Mr Reagan more than any other Democratic senator during the early 1980s. He has been sharply criticised by party liberals and feminists for some of his stands. Although he had an ambiguous record on civil rights early in his career, he is now strongly supported by black leaders in Georgia.

Senator Nunn has also been broadening his range of interests. He was closely involved in setting np the Democratic Leadership Council to pull the party back to the centre. He has also been the leading advocate of national service under which young people would do military or civilian public service in return for education grants.

The intriguing question now is why such a cautious and conventional figure – a believer in the Senate as a club of colleagues – should challenge conventions to produce such a long scrutiny of Mr Tower. No cabinet nominee, let alone a former Senator (Mr Tower represented Texas), has been rejected for 30 years. There is a feeling of "let him who is without sin cast the first stone" among many in Washington about the value of questioning someone's personal life.

The answer lies in Mr Nunn's seriousness, even priggishness at times. For all his ability to joke with his southern rural constituents, he takes a moral view. Being passionately committed to US defence interests, he is concerned about whether alleged drinking indiscretions, and other personal peccadilloes, as well as large payments made to Mr Tower by defence contractors, would compromise his position as Defence Secretary.

The nomination has become a partisan issue, with no Republicans having come out in opposition, whatever their considerable private doubts. The outcome remains finely balanced with many, probably most, Democractic senators waiting to follow Mr Nunn's lead.

Some conservatives have recently attacked Senator Nunn for wanting to run the Pentagon from Capitol Hill by blocking or weakening the strong Mr Tower.

Indeed, the Tower affair aside, Mr Nunn's broader views, such as wariness about Soviet intentions, are almost identical to those of such key administration officials as Mr Brent Scowcroft, the president's National Security Adviser. So the senator's power also offers the chance to revive a bipartisan consensus on security issues.

One colleague recently recalled a saying of Lyndon Johnson, when Senate majority leader in the 1950s, that the body was composed of whales and minnows. Senator Nunn is very much a whale.

Argentina prepares new exchange rate measures

By Gary Mead in Buenos Aires

THE Government of President Raúl Alfonsín yesterday closed all foreign exchange facilities as his economic team prepared yet another series of measures on exchange rates.

These were the latest moves in Mr Alfonsín's two-week battle with one of the most serious financial crises faced in his government's five years of office in Argentina.

Black market exchange offices continued to function throughout the day yesterday, despite the closure of all official facilities.

The latest package is expected to include measures designed to placate industry – with which the Government has a tenuous price-restraint agreement – and the agricultural sector by permitting both to increase the volume of exports they may transact through the two higher exchange rates now in operation, and also by a possible further lowering of government fixed rates.

The Government closed banks for 24 hours on February 6, before announcing measures designed to bring down interest rates, which reached 22 per cent in January, and to keep monthly inflation below 10 per cent.

Those measures included a 6 per cent devaluation for February at an officially set "commercial" rate, the introduction of a middle-tier rate fixed at 25 per cent above the commercial, and the reintroduction of a free-floating rate. All this was followed at once by a 25 per cent black-market depreciation of the austral.

Since last August the Government has forced farmers to use the commercial exchange rate for all exports. They have become angry at the serious over-valuation of the austral. The February 6 exchange rate adjustments let the agricultural sector transact 10 per cent of its products through the two higher exchange rates. That did not satisfy the farm sector, a powerful lobby whose political support is crucial to any Argentine government.

The Government is also under pressure from industry, concerned that prices have dropped far behind repressed inflation.

One factor delaying the new measnres yesterday was intense haggling behind the scenes by government, farming representatives and industrialists, given an extra edge by the presidential election being now 80 days away.

Debtors await US review

By Stephen Fidler, Euromarkets Correspondent

THE US review of its strategy towards the developing country debt troubles is threatening to create a log-jam of debtors waiting to benefit from any new initiative, according to commercial bankers.

The US Treasury was to present an interim report on Third World debt on Thursday but this has been delayed for a few weeks. The US is widely assumed to be ready to go ahead with concrete proposals in time for the interim committee meeting of the International Monetary Fund in Washington early in April.

The Mexican Government, which had intended to move swiftly with its request for a credit package including new financing, debt reduction and a new rescheduling, has now decided to await the outcome of the review, bankers say.

Mexico has been expected to be the main beneficiary of any US move. Mexican negotiators were in Washington this month discussing a possible $1.5bn (£850m) in loans from the World Bank. Talks were also held with officials of the IMF. Formal meetings with commercial banks have yet to be held.

In the meantime, bankers say requests to the US for bridging finance from Brazil and Venezuela have been turned down.

Concern grows among banks that the Brazilian debt deal signed last year could unravel. The price of Brazilian sovereign debt on the secondary market slumped four cents to about 28 cents on the dollar on Friday after President José Sarney was reported to have told his Congress that, without a fresh injection of foreign funds, the country did not have the money to make March interest payments to banks and the IMF. Yesterday, prices recovered modestly but the spectre of another Brazilian debt moratorium is worrying bankers.

A long-running dispute with the World Bank over a power sector loan and the failure to meet IMF economic targets is holding up disbursement of the second $600m tranche of bank loans and there appears little chance of a quick resolution. Any change in the conditions of the bank loan would require a full waiver from all Brazil's 300-plus bank lenders.

Mr Sarney is to meet President George Bush this week in Tokyo, at the funeral of Emperor Hirohito, and debt is said to be on the agenda. There are hopes that the Japanese Export-Import Bank will announce $600m in new funds for Brazil during his visit.

Meanwhile, bankers say Venezuela, whose debt negotiators met bankers in New York late last week, will need short-term finance while it works out a fuller credit package with foreign creditors.

Reserves are low and the country urgently needs funds after the widely-expected economic programme, including what amounts to a devaluation, unveiled by new President Carlos Andrés Pérez on Thursday night. It is seeking some $5bn from abroad this year, including $2bn to $2.5bn from creditor banks.

Unlike Mexico, whose foreign reserve position appears to have stabilised for now, despite concern over its rapidly worsening current account position, Venezuela does not have the time to wait for the outcome of the US review, bankers say.

Venezuelan devaluation hits importers, Page 8

Nicaragua reaffirms pledge on elections

By Tim Coone in Managua

THE RULING Sandinista party in Nicaragua has reaffirmed its commitment to "free and honest elections" in 1990 at the weekend, the results of which "we will firmly respect."

After a two-day conclave of the party leadership to discuss the results of last week's presidential summit in El Salvador, the nine-man "National Directorate" announced: "In February 1990 we will once again have free and honest elections.

"The world will be witness to our promise. On that date our people will choose their representatives and we will firmly respect their choice."

At last week's summit, President Daniel Ortega promised that there would be reforms to the new electoral law in Nicaragua and to regulations governing the media to ensure that all parties would be able to contest the elections "under equal conditions."

The summit was considered an important step forward towards reconciliation between the Government and opposition in Nicaragua and towards a regional peace agreement.

The last elections in Nicaragua were held in 1984, and under a proportional representation system were widely considered to be well organised and to have accurately reflected the way people voted.

The US Administration however, which was financing and organising the "Contras," condemned the elections and further stepped up the war to defeat the Sandinista Government.

Last year, the Sandinistas introduced a new electoral law, limiting the possibilities of small parties winning seats in the 96-seat National Assembly.

Foreign financial support to political parties for their electoral campaigns was also prohibited, unlike in 1984.

The reforms promised by President Ortega are expected to re-establish the conditions of the 1984 elections, with the added benefit for the opposition parties that they might now be allowed to run their own television station.

The National Assembly is to begin its next series of ordinary sessions today, during which the various reforms will be discussed.

The declaration of the "National Directorate" also made a call on the "international community" to ensure that not only Nicaragua but "all the Central American governments" comply with the commitments they have undertaken at the summit.

Most importantly this includes a plan to demobilise the estimated 10,000 Contras presently based in Honduras.

Hong Kong stock exchange agrees watchdog funding

By John Elliott in Hong Kong

A ROW between the Hong Kong stock exchange and top executives of the colony's Securities and Futures Commission was defused last night when the exchange's council agreed *on a change in the funding* of the commission, which is being set up by new legislation.

Regulatory arrangements are being developed to control the stock market after the world markets crash in 1987, which led to the Hong Kong exchange being shut for four days. There then followed a corruption scandal.

Lee: negotiated compromise

The stock exchange argues that new and extensive powers planned for the commission will duplicate its own developing role. It has used the issue of the funding to argue that the commission will be overstaffed and too expensive.

The arrangements should remove the issue of finance from the duplication debate, which will continue over details of what regulatory work should be carried out by the exchange itself and what by the commission.

A compromise negotiated between Mr Piers Jacobs, Finance Secretary, and Sir Quo-Wei Lee, chairman of the exchange, cancels earlier arrangements and introduces a new statutory levy on stock exchange transactions of 0.025 per cent. This will be shared equally by the exchange, for its own use, and the commission. On the average stock exchange daily transactions of HK$800m (£58m) last year, HK$49m would go towards the commission's first year budget of HK$134m.

Transactions are running during a current stock exchange boom at about HK$1.7bn a day, although this level is not expected to continue. Mr Francis Yuen, stock exchange chief executive, said last night that the arrangements would enable the exchange to break even on its work, if transactions stayed at or above HK$1bn a day.

Anti-US feeling strengthens in S Korea

Maggie Ford describes factors behind calls for a reduction in the American presence

THE DEATHS of two South Koreans in incidents involving US soldiers is likely to raise anti-American feeling before the visit by President George Bush to Seoul next week.

Demonstrations have been held in several cities during the past few days and a US cultural centre was attacked. Student and dissident leaders say they plan to rally at military bases and in central Seoul over the next week.

The Bush visit has focused attention on the role of the 43,000 US troops in South Korea when progress is being made towards a rapprochement with the communist North. Pyongyang has complained bitterly about a joint military exercise due to be held in the South next month.

Also, the South Korean Government has been holding talks with the US over reducing the visibility of its troops. The government is also believed to be discussing possible alterations to plans for the military exercise.

The government wants the US to move its military base away from the centre of Seoul, revise the Status of Forces Agreement that controls legal jurisdiction over offences committed by US soldiers, and to switch its television broadcasting service from the main network to a private cable system.

The rise in anti-American sentiment in South Korea comes at a difficult time for Washington and Seoul. Both Governments have said that any troop withdrawal from the South now would be premature but pressure is growing in both countries for a new approach to reducing tension on the peninsula.

Restrictions on the US defence budget, plus criticism of Seoul over *trade issues and* the anti-American feeling, have led to a perception in some US circles that a reduction of troop numbers would be appropriate.

However, Seoul officials point out that, while a realignment of the relationship between the two countries will be necessary, it would be dangerous to withdraw the troops until serious negotiations with North Korea, along with military confidence-building measures, were under way.

The US has initiated recently meetings with North Korean diplomats in China and other countries, and two Australian diplomats have visited Pyongyang in a response to the South's wish to pursue dialogue.

Mr Hong Soon Young, Assistant Foreign Minister in Seoul, said last week that President Roh Tae Woo planned to discuss security and progress towards detente in his meeting with Mr Bush next week.

He said that a rare opportunity existed to extend the present global thaw to Korea. He regarded the impending Sino-Soviet summit to be a positive sign and said his long-term outlook for peaceful dialogue was optimistic.

Pressure on the Roh Government to take more positive action on progress towards reunification and democracy has increased recently, with a greater *focus on US* involvement, past and present.

Students in the city of Kwangju have made repeated attacks on the US cultural centre, demanding the testimony in Seoul of the US ambassador and military commander who were in office in 1980.

At least 200 people were *killed at* Kwangju when the military suppressed an uprising nine years ago, and public suspicion about the role of the US officials has grown, along with anger at the Government's refusal fully to investigate the incident.

The deaths last week of the two Koreans took place at Kunsan, site of a big US Air Force base. One death seems to have followed a fight and the other a car accident. They resulted in several demonstrations and led to a ban on troops going into the town.

The rallies this week will also focus on the Government's refusal to agree to opposition demands for the testimony of former President Chun Doo Hwan at the National Assembly. US support for Mr Chun, the first foreign leader to visit President Ronald Reagn shortly after he took power in a military coup, has long been criticised.

Mr Chun apologised to the public last year for his misdeeds, repaid $23m to public funds and is in exile at a remote monastery. However, an opposition MP alleged last week that Mr Chun's wife had concealed ownership of land worth $4.4m, raising new doubts over Mr Chun's veracity.

Mr Bush's five-hour visit to Seoul may be too short, and security too tight, for him to be exposed to any whiffs of the tear gas *still used liberally* by the South Korean riot police. No doubt, though, he will find the atmosphere in Seoul considerably more heated than that in Japan, enveloped in a day of national mourning for the late Emperor Hirohito.

Anti-American protestors burn effigies of US cigarettes after import tax was lifted last summer, almost halving the price

Growth rate likely to moderate

SOUTH KOREA'S rapid economic growth will moderate in the first quarter of this year and the current account surplus will narrow as a result of a rise in the won, the country's currency, and a spate of labour disputes, the Economic Planning Board (EPB) said yesterday, Our Foreign Staff reports.

The won rose a combined 25 per cent against the dollar in 1987 and 1988. Strikes this year have hit 125 companies so far, including the country's biggest shipyard – up from 93 companies a year earlier.

As a result, gross national product is expected to show real growth of 6 to 7 per cent (base 1980) in the first quarter of 1989, compared to 14.9 per cent for the equivalent period in 1988.

For the year as a whole, growth is expected to be 8 per cent. "We think the economy will pick up from April because domestic investments and consumption have been rising steadily from the start of the year," an EPB official said. This represents a substantial moderation from the past three years, when growth has been 12 per cent a year.

In the first quarter of 1989, the current account surplus should fall to between $1.5bn and $1.8bn, from $3.02bn a year earlier, the report forecast. It said the surplus would reach $9.8bn for the whole of 1989 – above the original target of $9.5bn because of recovery of the world economy.

In January, South Korea's customs-cleared trade account had swung to a deficit of $33m the first shortfall in 17 months, from a $1.52bn surplus in December.

Jordan may ask for IMF balance of payments support

By Tony Walker and Lamis Andoni in Amman

JORDAN is considering a formal request to the International Monetary Fund for balance of payments support to help it out of its present economic crisis, according to Jordanian and Western officials.

Jordan is understood to have made a tentative approach to the fund for advice on the best way to overcome an expected large financing gap this year, but differences persist within the Jordanian Government over the desirability of involving the IMF in a rescue operation.

King Hussein and Mr Zaid Rifai, Prime Minister, are said to have expressed reservations about seeking IMF support because of political sensitivities. However, senior officials and Jordanian economists are saying the Government has little choice.

Pressures for an IMF-sponsored rescheduling of Jordan's debt of about $6.5bn have been building since last year when worries about the country's ability to meet its commitments on its external debt contributed to a big depreciation of the dinar.

Most of Jordan's debt, about half of which is military, is government-to-government and so would be subject to rescheduling under the fairly generous rules of the Paris Club of Western creditor nations.

Dr Fahd el-Fanek, a Jordanian economist, said the IMF had begun work on a programme to restructure Jordan's debt. "No-one would like to go to the Paris Club," he added, "but there is no alternative except outright default."

Jordan faces large debt repayments of about $1bn a year for the next three or four years. Its official cash reserves are virtually nil. Jordanian officials are making no secret of the country's difficulties.

King Hussein has made a number of approaches to Gulf states, notably Saudi Arabia, in an effort to secure emergency relief. Saudi Arabia has indicated it will provide assistance, but this is likely to fall well short of Jordan's needs.

The Saudis have been providing about $360m a year under the terms of the Arab League summit agreement of 1978 at Baghdad, which expired at the end of last year. Jordan was promised annual payments of $1.25bn, but only a fraction of this money was paid.

Jordan's decision this month not to proceed with a $150m loan in international markets was a further sign of its financial difficulties. Jordan was also forced late in January to delay payment on principal on a $150m syndicated loan of 1984.

The World Bank, which has a team in Jordan at the moment, is working closely with the IMF on a recovery programme. The IMF would be likely to insist on stricter budgetary controls to reduce the domestic deficit and further moves to restrict imports.

Differences may arise over subsidies on basic foodstuffs. Jordan, which imports about half its food, is worried about food price rises and is taking steps to stabilise prices. The IMF generally takes a dim view of such practices.

The World Bank is offering structural adjustment assistance to help Jordan build a more productive, export-oriented economy. Jordan's present difficulties are partly due to its heavy dependence on "unsustainable" sources of funds such as aid and workers' remittances.

King Hussein's worries about Jordan's precarious financial position is one of the main reasons he initiated a wider regional economic grouping to include, apart from Jordan itself, Iraq, Egypt and North Yemen.

Jordan hopes to benefit from membership of a group, to be known as the Arab Co-operation Council, that would include larger regional economies such as those of Iraq and Egypt.

Afghan Prime Minister resigns

By Robin Pauley, Asia Editor, in London

MR Mohammad Hassan Sharq resigned as Prime Minister of Afghanistan yesterday as a 20-man supreme military council took over full control of economic, political and military policy.

Mr Sharq, 63, was the most senior member of government not in President Najibullah's ruling Communist People's Democratic Party of Afghanistan. His departure was widely expected as soon as President Najibullah had declared a state of emergency and started to sweep non-PDPA members out of his *Cabinet at the weekend*.

The new military council takes Afghanistan – contrary to the protestation of Mr Abdul Wakil, Foreign Minister – much closer to military rule. All but one of the 20 members are PDPA members, mostly in the governing Politburo. The exception is Vice-President Abdul Rahim Hatef. He is a Pushtun former teacher and businessman from Kandahar who was a member of the presidium of the Revolutionary Council and therefore thoroughly "reliable" from the PDPA standpoint, if not a fellow-traveller.

Mr Sharq's resignation *comes after nine months in* office. He was among a number of people brought in by President Najibullah in an attempt to present the Kabul regime as a broad-based Afghan government rather than a Soviet puppet regime. This failed to convince the resistance to support a policy of national reconciliation and, now that the Soviet occupation force has left Afghanistan, President Najibullah has decided to surround himself with his own people and drop the pretence of being broad-based or representative.

The new military council, called the Supreme Military Council for the Defence of the Homeland, is headed by President Najibullah.

Mujahideen moderates see some hope

By Christina Lamb in Rawalpindi

HOPES HAVE been raised among moderates in the Pakistan-based Mujahideen Afghan resistance that they may be able to prevent fundamentalists from pushing the provisional government-in-exile of hardliner Ahmat Shah through the shura, a national religious council under way in Rawalpindi to choose an alternative to the Kabul regime.

Pir Gaylani and Mr Sibghatullah Mojadeddi, the two moderate leaders, seemed to have given up after the Iran-based Mujahideen, who were strongly against *Ahmat Shah*, went home yesterday, angered by their lack of representation.

However, in a surprise move when the list of portfolios was presented to the shura, mullahs reacted strongly, objecting in particular to the idea of a ministry for women, and walked out in protest. Mr Burhanuddin Rabbani, one of the main fundamentalist leaders, also refused to participate in the government after other leaders refused to name Mr Ahmat Shah Masood, his commander, as Defence Minister.

After 11 days of letting party leaders run the show, a protest group of 70 commanders and mullahs from all seven parties was organised.

Israeli troops wound 14, seal homes

ISRAELI troops wounded 14 Arabs and bulldozed or sealed the homes of four Palestinians accused of firebomb attacks during the second day of a Palestinian general strike, AP *reports from Jerusalem*.

The three-day strike, called by the Palestine Liberation Organisation-linked United National Leadership of the Uprising, shut down businesses and transport throughout the occupied West Bank and Gaza Strip.

It was the longest work stoppage since the start of the Palestinian revolt against Israeli occupation on December 8, 1987. Fifteen Israelis and 383 Palestinians have been killed in the violence.

In the occupied territories, the army declared Nablus, the West Bank's largest city, a closed military zone, and erected roadblocks at four *entrances to prevent motorists* from entering.

Troops also stopped dozens of Arab-owned cars inside Nablus, confiscating the drivers' identity cards and ordering them to remove outlawed Palestinian flags and pro-PLO wall graffiti, an Arab reporter said.

Officials at Nablus' Al Ittihad Hospital said they treated four Palestinians wounded in stone-throwing clashes with the army in several West Bank areas.

They included a 14-year-old boy from Jenin shot in the stomach, the doctors said.

Also in Jenin, troops bulldozed the house of a resident accused of throwing three firebombs at an *Israeli* army vehicle, an army official said. The official did not know if anyone was injured.

The army also sealed three homes of suspected firebomb throwers in the villages of Hawwara and Dahlat al Barrad near Jerusalem.

House demolitions and sealings have drawn criticism from the US and international human rights groups who contend the practice denies Palestinians due process.

S African ruling party to allow 'free settlement'

By Anthony Robinson in Johannesburg

SOUTH AFRICA'S ruling National Party moved a step further away from the extreme rigidities of apartheid yesterday as it announced the appointment of a "free settlement board".

Headed by Mr Hein Kruger, a party representative on the President's Council, the top-level policy advisory body, it will come into operation on March 1 and set about legalising multi-racial "free settlement areas" in certain carefully delineated zones of the country's main cities and towns. The first such zones are expected to be set up legally in inner-city areas such as Hillbrow and Mayfair in Johannesburg, and Woodstock in Cape Town, which have been *de facto* mixed areas for years.

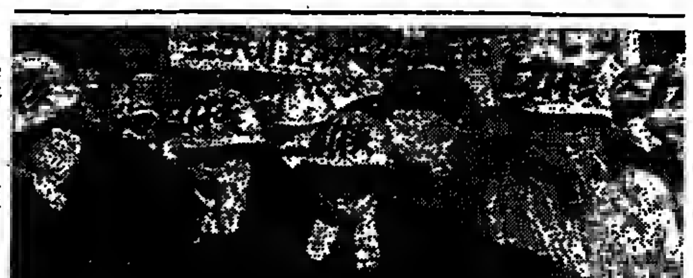
Announcing the new board, Mr Chris Heunis, Minister for Constitutional Development and acting-President after the "mild stroke" suffered by President PW Botha last month, described the enabling Free Settlement Areas Act as "introducing freedom of choice".

He emphasised, however, that the act "does not change the present living and residential patterns of our communities, but gives those who wish to associate freely with one another the democratic choice to do so".

The act is one of a trilogy of group areas amendments introduced last year. The most controversial bill, which envisaged fines of up to R10,000 ($4,100) or five years in jail for illegal purchase or occupation of property in racially-zoned group areas, has been quietly dropped.

The decision to legalise limited zones for free settlement has been criticised by the Urban Foundation. This business-funded organisation argues that, by limiting legal mixed areas to certain inner-city locations, the influx to them will create overcrowded multi-racial slums which will confirm everybody's worst prejudices.

● Two men charged with the murder of Dr Abubakar Asvat, a prominent Soweto doctor, came before a Soweto magistrate yesterday. Dr Asvat was murdered the day after he had gone to Mrs Winnie Mandela's house to see four youths abducted from a Methodist mission by members of Mrs Mandela's bodyguard, the Mandela United football team.



STRUGGLE TO THE GRAVE: Members of the Chukaku-ha, Japan's active and extreme anti-emperor group, threaten to disturb the funeral of Emperor Horohito on Feb 24

Kampuchean peace talks at deadlock

TALKS aimed at bringing peace to Kampuchea appear to have broken down, Reuter reports from Jakarta.

The talks are at deadlock over how to verify a withdrawal of the Vietnamese troops who invaded Kampuchea in 1978. The discussions are among the four Kampuchean resistance factions, foreign ministers from Vietnam, Laos and the six countries of the Association of South-East Asian Nations.

A delegate of the Kampuchean resistance movement said: "A communique will be issued summing up what has taken place, but it will not have been drafted by the Kampuchean factions."

Yesterday the talks split into consultations among the Kampuchean groups and their respective backers, with Mr Ali Alatas, Indonesian Foreign Minister, shuttling between them.

Polisario to join fresh peace talks

Polisario guerrillas will hold a new round of peace talks with King Hassan of Morocco next week, Mr Mohamed Abdelaziz, Polisario secretary-general, said yesterday in Sweden, Reuter reports from Stockholm.

Polisario leaders held a first round of direct talks with King Hassan over the disputed Western Sahara early last month.

Sweden attacks UN force decision

Mr Ingvar Carlsson, Sweden's Prime Minister, yesterday criticised his country's exclusion from a UN force to oversee independence for Namibia because of South African charges that Sweden would not be impartial, Reuter reports from Stockholm.

He said the 200m crowns (£17.9m) Sweden had expected to spend on UN peacekeepers would be set aside as aid to the independent Namibia.

Beirut leaders seek to end conflict

The leaders of Lebanon's warring Christian factions held a surprise meeting yesterday in an attempt to resolve a conflict that killed at least 58 people last week, Reuter reports from Beirut.

Army commander Major-General Michel Aoun met Lebanese Forces leader Samir Geagea at the presidential palace. Meanwhile, six Lebanese religious leaders were expected to open talks in Kuwait with the Arab League committee yesterday or today in an attempt to resolve Lebanon's five-month-old constitutional crisis.

OAU debt talks

African ministers, at a meeting in Addis Ababa this week, hope to map out an initiative to tackle the continent's debt which will be considered at the annual summit of the Organisation of African Unity in June or July, Reuter reports from Beirut.

Floods of the Yangtze lay siege to China's main rice bowl

Colina MacDougall reports that increasing silt deposits are creating ecological change on a catastrophic scale

AN ecological catastrophe is in the making in China. Tree-felling, erosion, silting and floods are transforming the nature of the Yangtze river valley. In another few decades lakes will vanish, mountains will become bare rock and the rich granaries of central China will turn to mud each year.

Floods along the Yangtze last autumn were the worst for 100 years, the People's Daily declared last month. The problem was not the volume of water but its colossal spread. Annual silt deposits have filled lakes, flattened the land and blocked the drainage channels. In 1988 thousands of acres of crops were laid waste.

The 3,400-mile Yangtze now carries 1.5bn tons of silt to the ocean each year, only a little less than the 1.6bn tons delivered by "China's Sorrow," the almost untameable Yellow River. The Yangtze's silt discharge equals the combined totals of the Nile, the Mississippi and the Amazon, the China Daily reported.

Only a proportion of silt reaches the sea. Annual floods deposit more and more around the banks of the lower reaches. One of China's biggest inland stretches of water, the Dongting Lake, is shrinking so rapidly that, in a few decades, it may disappear completely.

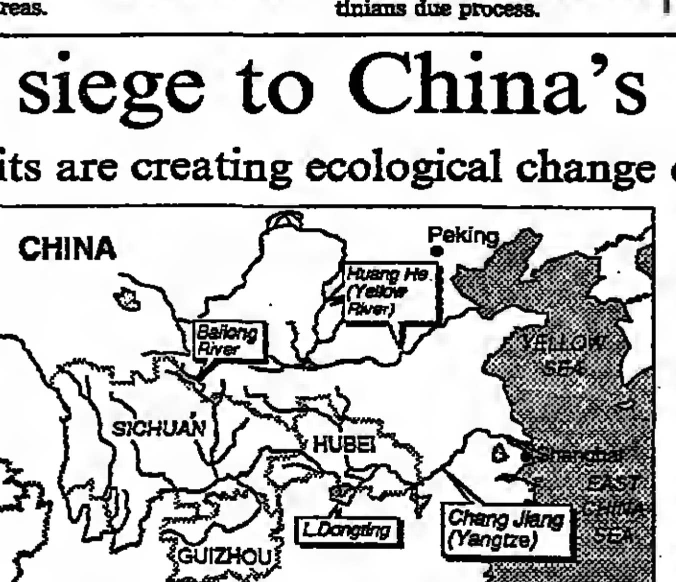
The water surface of the Dongting has dropped from 6,000 sq km during the past century or so to less than half that now. Worse, since 1950 the water storage capacity has fallen from about 30bn cubic metres to 18bn, sharply reducing its flood retention capacity.

In Hubei province in central China, 80 per cent of the lakes in the "kingdom of a thousand lakes" area have disappeared. In these middle reaches of the Yangtze, officials are deeply concerned about the threat of floods to one of China's main rice-bowls.

Further upstream, on the tributary Bailong River, the riverbed near Wudu is 18 metres above the city. The bed of the river in its middle stretches rose by 12.5 cm last year.

During the past 30 years, silt-generating erosion has been quietly on the rise. Rain and flood wash away more and more topsoil in the upper reaches. Now, of the 1.8m sq km of land in what is defined as the Yangtze valley, nearly one third is eroded and the annual volume of soil lost is 2.2bn tons.

This is critical. Upstream, the mountain topsoil averages 30cm to 50cm in depth. However, if erosion continues at the present rate, in less than 50 years it will have vanished. Farmers in some areas of Hubei province have had to move already because no earth was left on the rocks to till.



In parts of Guizhou province, it is the same. In Yunnan, 80 per cent of Yuanmou county adjoining the river faces serious soil deterioration and the Jinsha, as the Yangtze is locally called, annually strips topsoil that would cover nearly 2,500 hectares. Drought has followed – with erosion, springs have dried up.

Tree felling and cultivation encourage soil loss. Forest coverage in upstream Sichuan province has shrunk drastically in the past 40 years. A quarter of the province's dry farming now takes place on slopes of more than 25 degrees.

The problem has become worse with development. Since the 1950s, pressure has risen to cultivate waste land such as hill territory and river banks. The ecosystem along the Yangtze has been destroyed, the People's Daily said.

"Adding a new wound to an old scar," the paper said, construction, road-building and mines had penetrated almost everywhere during the 1980s. "For instance, in Cheng County, which was reputed to be a treasure land in the south of Gansu province, the Baiyin company has been in charge of exploiting the open-cut aluminium and zinc mines since they were identified," the paper wrote.

"Since no measures were taken in the design and construction of the mines, some 100m tons of topsoil have been peeled off the ground so far."

There is some effort to repair the damage. Last autumn, Peking announced spending of 500m yuan (£76.6m) to check erosion. The project, due to start by the end of 1988, was designed to last 12 years and focus on the 1m sq km of the upper valley areas.

The Yangtze rises in Tibet and, in its upper reaches, draws water from half a dozen distant and impoverished provinces so real prospects of minimising damage seem slight. If Peking does nothing, though, a flood disaster of Bangladeshi proportions would not be remote.

The scarcity of river resources for Arabs and Israelis in the 1990s is likely to sharpen rivalries. **Andrew Gowers** and **Tony Walker** report

Middle East fears war of parched throats

TUCKED away in campaign literature for Israel's recent election was an ominous reference to an issue looming large in the politics of the Middle East: competition for that scarce and diminishing resource, water.

"Judea and Samaria (the West Bank) boast 40 per cent of Israel's available fresh water resources," stated the right-wing Likud party as part of its case for retaining the Occupied Territories. "Water is our life. As such, it makes no sense to place it in the hands of those whose intentions towards us might not always be the kindest."

It is an argument of which the world is almost certain to hear a great deal more in the near future, and not just in the Israeli context. Throughout the arid Middle East, rapidly-growing populations, urbanisation, water-hungry forms of agriculture and industrial development are placing a large and growing strain on water supplies. Experts predict that, in the 1990s, water will constitute at best a source of intense political rivalry between regional states and a key obstacle to resolution of the Arab-Israeli dispute. At worst, it could give rise to another war.

"The Middle East stands at the precipice of another major natural resource crisis," says a recent study by the Washington-based Centre for Strategic and International Studies. "Before the 21st century, the struggle over limited and threatened water resources could sunder already fragile ties among regional states and lead to unprecedented upheaval within the area."

There are three main areas of concern.

● The Nila Basin, in which at least four countries — Egypt, Uganda, Sudan and Ethiopia — have a big stake.

● The Tigris-Euphrates river system, divided principally among Turkey, Syria and Iraq.

● The Jordan catchment area, much the smallest but by far the most politically sensitive, involving Israel, the occupied West Bank, Lebanon, Jordan and Syria.

In all these cases, rivers cut across national borders and, in most of them, demand for water exceeds, or may well come to exceed, available annual supply. Yet none of the river basins involved has ever been the subject of a comprehensive water-sharing agreement. Given that several of these riparian states (those which share common sources of water) are not on speaking terms, there is ample scope for misunderstanding.

By far the region's most serious water problem occurs in the area of greatest potential political conflict: that is in the small triangle that includes Syria, south Lebanon, Jordan, Israel and the West Bank and Gaza Strip. In the four decades since the foundation of the State of Israel, no other part of the world has witnessed such prolonged tension.

Israel itself is in a big water crisis. Its thirsty, agriculture-based economy is using water at a quicker rate than resources are being replenished in its three principal reservoirs — the Sea of Galilee, a north-south aquifer (about half of which is located under the West Bank) and a series of seashore aquifers that stretch from Haifa to Gaza. Reserves of underground water are being depleted for future generations of Israelis and, just as critically, for the rapidly-growing Arab populations of the West Bank and Gaza Strip.

Israel's water shortage is already forcing changes in Israeli agriculture, the country's main industry. It is also a drag on future development plans. "This is a time bomb," declared Meir Ben Meir, former director of Israel's Agriculture Ministry and an acknowledged water expert. "If the people of the region are not clever enough to discuss a mutual solution for the problem of water scarcity, war is unavoidable."

A recent unpublished study on the pressure on scarce water resources throughout the region, by the Israeli Foreign Ministry, concluded that the water issue would become "much more problematic" in the next few years than in the past half-century.

The arithmetic is frightening. Renewable water available to the estimated 6m people who live between the Jordan river and the Mediterranean amounts to 1.9bn cubic metres annually. Israel consumes more than 1.7bn cubic metres, and the residents of the West Bank and Gaza 400m cubic metres, leaving a deficit of at least 200m cubic metres that is drawn from diminishing reserves. Dr Thomas Naff of Pennsylvania University reckons that, by the end of the century, Israel's water needs may exceed its supply by 30 per cent.

In the Gaza Strip, the densely-populated settlement that is home to some 650,000 Palestinians, the situation is already critical. Underground reservoirs are being depleted and made brackish because of over-pumping. Gaza residents blame this on nearby Israeli cotton farmers. Foreign aid experts say that restrictions on water use are required urgently to preserve the quality of Gaza drinking water.

In the West Bank, water is a subject of almost constant dispute between Palestinian residents, the Israeli occupation authorities and Jewish settlers, who are frequently accused of over-pumping. One such argument concerns Israel's plan to sink a deep well south-east of Bethlehem. Mr Elias Freij, Bethlehem's mayor, has warned that the tapping of the the deep aquifer will threaten more shallow wells that serve nearby Arab towns and villages.

Scarcely less worrying is the problem's international dimension, since the watershed tapped by Israel is also shared with Jordan, Syria and Lebanon. Water has been one of the main sources of conflict between Israel and its Arab neighbours, notably in 1964, when an Arab summit decision to divert the headwaters of Jordan tributaries resulted in border clashes, and again in 1969. Indeed, disputes over water have long been regarded as one of the principal causes of the six-day Arab-Israeli war in 1967.

Successive US administrations, aware of the issue's combustible nature, have engaged in patient and barely visible diplomacy to keep real or potential disputes from getting out of hand. The only serious effort, however, to achieve unified joint development of the Jordan basin was presented to Israel and the Arab states as long ago as 1953 by Eric Johnston, a special envoy of President Dwight Eisenhower. It has never been ratified because of political differences but it has served as a basic guideline for water use by regional states.

The danger now is that this framework could begin to disintegrate as a result of the pressure on water resources from all directions. Jordan itself is facing serious difficulties. Professor Elias Salameh of Jordan University predicts that most underground water reserves will be depleted by the year 2005, and the state will be almost totally dependent on rainwater, always dangerous in a region where prolonged drought is commonplace.

Syria has problems of its own, with cities experiencing frequent water and electricity cnts. World Bank experts believe Syria could face an annual water deficit of as much as 1bn cubic metres by the turn of the century if present consumption trends contiune. The Government has already sharply increased projected spending on water and hydroelectric power projects.

Jordan and Syria are reviving a long-stalled plan to build a dam on the Jordan's last untapped tributary, the Yarmuk river, which feeds into it below the sea of Galilee. After Israeli complaints and US mediation, Israel has given its tacit consent for what is to be called the Unity Dam, which will be in Syria near the Jordanian border and a vital source of drinking and irrigation water for Jordan. However, even assuming smooth implementation of the project, the relief it will provide can only be temporary because of Jordan's rapidly increasing demand.

Elsewhere in the Middle East problems abound. Egypt, which is almost totally dependent on Nile waters, faced the alarming prospect this year of being forced to institute power cuts and water rationing because of prolonged drought in the Ethiopian highlands, source of the Blue Nile. Plentiful mid-year rains in Sudan and Ethiopia helped to replenish the much depleted Aswan High Dam, but pressures remain. Egypt's rapidly-growing population — now 52m and set to exceed 100m in the next 25 years on current trends — will place increasing demands on a limited resource.

Mr Boutros Ghali, Egyptian Minister of State for Foreign Affairs, never tires of telling visitors that "the next war in our region will be over the waters of the Nile, not politics". Such warnings seem alarmist to Western experts, who point out that the political and economic weakness of npstream states is likely to limit the demand they place on the river.

However, Nile basin states include some of the least stable in Africa. Also, rapidly increasing populations — Kenya has the world's highest birthrate — must add to demand for Nile water. Ethiopia's plans to build a dam on the Blue Nile, source of about 80 per cent of waters flowing into the Aswan dam, is a worrying development for Egypt.

In the case of the Tigris-Euphrates basin, experts believe trouble may be around the corner, since Syria, Iraq and Turkey all have ambitious plans for tapping the waters of the Enphrates. The downstream states are especially concerned by Turkey's Grand Anatolia Project, a huge irrigation and power generation scheme that hinges on the Ataturk dam under construction in the south-east of the country.

Experts forecast that, by the mid-1990s when demand for water to fill the dam will be at its height, this will have a serious impact on the river flow into Syria and Iraq. In the worst scenario, if Turkey and Syria are able to implement all their development plans, the amount of water in the Euphrates entering Iraq could be reduced from 30bn cubic metres to 11bn cubic metres — 2bn cubic metres less than Iraq claims will be its minimum requirement for its own agricultural schemes.

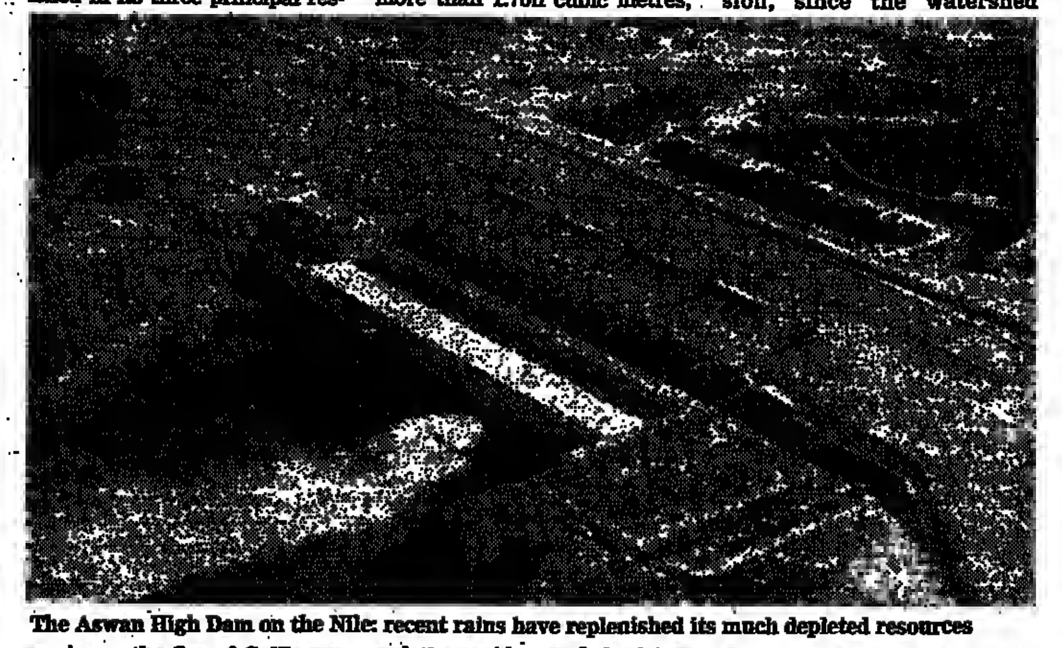
Iraq and Syria — whose relations are icy in any case — have nearly come to blows over water at least once: in 1974-75 new Syrian and Turkish dams redneed the Euphrates to about one-quarter of its normal flow. Baghdad threatened to bomb Syria's al-Thawra dam and massed troops along the frontier. The crisis eased only when Saudi Arabia persuaded Syria to release additional water.

Turkey, which is in a strong geographic and military position, has been careful to engage Syria and Iraq in ministerial talks on the water issue and soany dispntes are expected to be contained for the time being. Even so, it seems inevitable there will be continuing tensions among Euphrates countries.

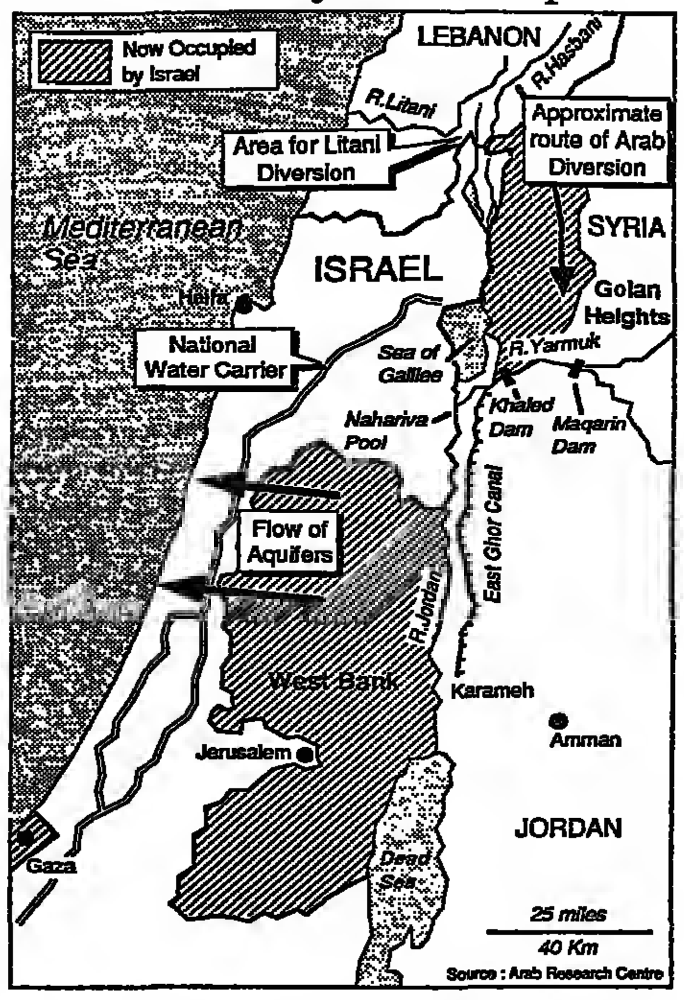
Predictions of a Middle East water crisis have brought forward a crop of proposed solutions — some adventurous, some plain bizarre. They range from the idea advanced in all seriousness at one stage of towing icebergs to the region from the Antarctic, to the proposal of President Anwar Sadat of Egypt to pipe Nile water through Sinai to Israel and the occupied territories. There was also the proposal during the Nixon presidency in the US to build a nuclear-powered de-salination plant on Israel's Mediterranean coast. This idea was shelved because of security concerns and because Israel is not a signatory to the nuclear non-proliferation treaty.

Turkey has been proposing more recently to sell water to arid states through a "peace pipeline" from two small rivers — the Seyhan and Ceyhan — which flow under-utilised into the Mediterranean. Brown and Root, the US engineering consultancy, has prepared a feasibility study on the possibility of transporting Turkish water to places as far away as the southern Gulf states. The cost, estimated at up to $21bn (£11.9bn) and political problems associated with this scheme mean, however, that it must be considered a distant prospect at best.

In the meantime, water is likely to be at the core of any negotiations to resolve the Arab-Israeli conflict.



The Aswan High Dam on the Nile: recent rains have replenished its much depleted resources



WORLD TRADE NEWS

DAF plans to assemble trucks in Thailand

By Kevin Done, Motor Industry Correspondent

DAF, the UK-Dutch commercial vehicle manufacturer, plans to start assembly of trucks in Thailand. This will be its first venture in south-east Asia.

It has reached agreement to begin exporting heavy trucks and buses to Thailand through a local importer, Thai VP. Thai Rung, an associated company of Thai VP, could eventually be involved in local assembly of DAF vehicles.

The two Thai companies are now involved in assembly, sales, distribution and service of a range of station wagons, light trucks and small and medium buses based on US and Japanese products. Thai VP has a network of 33 dealers and service outlets.

Mr Cor Baan, deputy chairman of the DAF management board, said DAF was studying the potential for using Thailand as a base for sales to other countries in south-east Asia.

The Thai market itself had significant growth potential, he said.

DAF, the fifth largest commercial vehicle maker in Europe, recently announced plans to establish a new headquarters in tha UK for its global international sales

DAF International, which will be located in Manchester, will be responsible for all sales of DAF vehicles outside Europe.

Mr Aart van der Padt, DAF president, said that DAF, now largely limited to the European market, intended to take an increasing share of the global truck market.

Venezuela devaluation hits importers

By Joseph Mann in Caracas

THE Venezuelan Government's decision last week to order a major devaluation of the national currency, the bolivar, has created a serious problem for Venezuelan importers, who owe international banks and suppliers about $8bn in letters of credit.

President Carlos Andrés Pérez announced last Thursday the Government would establish a single, floating exchange rate for the bolivar. This means the official rate of Bs14.5 to the dollar, used for most international commercial and financial transactions, will be eliminated.

As of yesterday, the Government had not implemented the new exchange rate system, but Venezuelan importers are worried they will be forced to absorb the effects of the difference between the official rate and the current free market rate (about Bs38 to $1) when settling their letters of credit. The cost of absorbing the new devaluation could drive some importers out of business.

Most outstanding letters of credit were opened with a government guarantee that importers would be able to purchase dollars at the Bs14.5 rate, while others were covered by an earlier official rate of Bs7.5 to $1.

It is clear today that the Administration does not have sufficient foreign exchange to make good all these letters of credit at the originally agreed rates of exchange.

The Government has formally no plan for dealing with this problem, but Mr Pedro Tinoco, Venezuela's central bank president, suggested in a television interview on Sunday that a scheme was being worked out.

He indicated that the Government could not provide foreign currency at the old official rates to cover all existing letters of credit, but that coverage would depend on the date on which certain imports entered the country.

He said that, for example, imported merchandise already sold at the retail level would be eligible for foreign currency under the old official rates, while merchandise still being shipped or held in inventory would not.

A decision on imports of capital goods would also depend on when the items entered the country.

This is "a national problem", the bank president said, and a solution must be worked out by the Government and the private sector.

Venezuela's imports last year rose 23 per cent to more than $19.8bn, while exports fell by 2 per cent. The country ended 1988 with a balance of payments deficit of $4.4bn and its first trade deficit ($515m) in a decade.

Because 1988 was an election year in Venezuela, the outgoing Administration allowed imports to rise sharply in order to avoid shortages that would be embarrassing to the ruling party and its candidate.

In fact, shortages of basic food items occurred despite the increase in imports, and the government party's candidate, Mr Pérez, won the presidency anyway.

By the end of last year, the Government's liquid foreign exchange reserves were depleted and it was forced to declare a moratorium on payments of principal for most of its $25.6bn foreign debt.

Foreign expertise livens up Israel's TV

By Laura Blumenfeld in Jerusalem

FOREIGN capital and expertise have been recruited to liven up Israel's humdrum television screens.

Audiences, limited to one or two government-run stations, are about to be indulged with the arrival of cable television which could offer as many as 25 channels.

Mr Gad Yaacobi, Israel's Communications Minister, said franchises for the 29 cable television regions would be distributed by April.

Since the project was launched last August, franchises have been distributed.

Broadcasting is to begin within two years. Local private communications outfits have teamed up with well-established foreign enterprises to invest the $500m needed to set up a cable television infrastructure. Three companies were awarded contracts last week for six regions, each comprising 40,000 households.

Mr David Harnik, chairman of the Cable Broadcasting Council, a mixed government-industry body, said the forecast penetration rate for cable television in Israel within the next five years was 65 per cent, compared with 50 per cent in the US.

He predicted that pirate cable stations – received in about 50 per cent of Israel's living-rooms – would be easily replaced by the superior service and variety of legal cable television.

United Cable Television Corporation, a leading US cable television company whose annual sales are about $800m, joined up with Discount Investment Corporation, a Tel Aviv subsidiary of Israel Discount Bank Development Corporation, to win franchises in four lucrative areas. Two of them were assigned last week.

ICS, a group of primarily American businesses including Harcourt Incorporated, an Indiana-based investment banking company, and Omega Communications, a US cable operator, was awarded its second and third franchises, as was Golden Channels, a communications group owned in part by South West Bell in St. Louis, Missouri.

Other foreign investors include Rediffusion, which holds the franchise for Zurich, and Staten Island Cable Vision based in New York.

Mr Harlik plans to include both Europe's high quality signals and US-style popular entertainment in the Israeli system.

Programmes will be monitored by the council to filter out violence, pornography and items potentially harmful to Israel's national security.

Bush steels himself to curb imports

Pledges on voluntary restraint renewals leave doubts, Nancy Dunne writes

THE ASSURANCES by President George Bush, during his election campaign last year, that he would support renewal of the US steel import restraints when they expire on September 30 have by no means settled the matter.

The Voluntary Restraint Agreements (VRAs) on steel were negotiated with 19 countries and the EC, which accepted the quotas rather than fight unfair-trade suits filed by the steel industry. Dozens of new cases have been prepared in the event that the steel programme were not renewed.

In his commitment to the industry, the president left himself a way out, by saying that his backing for import restraints would come in the absence of an international agreement to ban government subsidies. The US administration has yet to say how it will seek such a pact. In any event, *chances of getting one* are slim. Even so, that has not ended the debate.

Manufacturers and importers who use and move steel have mounted an intensive campaign to ensure that the VRAs will be extended for less than the five years requested by the steel companies, and that their reach will be modified.

The companies, represented by the Iron and Steel Institute, argue that they needs five more years to recover from more than 20 years of foreign dumping.

Legislation has already been introduced to give the president the authority to renew the programme. Still, the opposition is such that House of Representatives steel cancus has felt the need to study modifications in the restraints, particularly *in the area of short-supply* exceptions, in order to attract Congressional support for the cause.

Both sides are buttressing their cases with well-documented studies. Mrs Carla Hills, US Trade Representative, has said that she is open to the arguments of the users, who claim that the VRAs have raised their prices and undercut US efforts to increase high-value exports snch as appliances, tools and transportation equipment.

These products comprised about 44 per cent of US exports in 1986, a good deal more than steel, which has only begun to regain its foreign markets.

In a report, prepared by Mr *Paul Stern, former chairman of* the International Trade Commission, the manufacturers argue that they have already paid a high price for the protection granted the steel industry over the years. US steel prices were 25 per cent higher than prices in Japan and 20 per cent more than in West Germany from 1969 to 1985.

IF users had been able to buy steel at the same price as their Japanese and West German competitors, they would have saved at least $87bn (£48.3bn) during that period and $38bn from 1981 through 1985, the study says.

STEEL EXPORTS - VRA COUNTRIES 1987			
COUNTRY	SHIPMENTS (tonnes)	QUOTA LIMIT	% of QUOTA
Australia	204,955	217,399	94.3
Austria	123,341	160,031	77.1
Brazil	1,314,650	1,256,036	104.7
China	56,714	61,689	91.9
Czechoslovakia	37,400	37,876	98.7
East Germany	93,490	98,796	94.6
European Community	4,685,700	4,780,998	98.0
Finland	167,307	171,997	97.3
Hungary	30,257	30,845	98.1
Japan	4,167,471	4,757,619	87.6
Korea	1,445,030	1,463,808	98.7
Mexico	311,986	358,962	86.9
Poland	93,144	93,338	99.8
Portugal	30,760	31,242	98.5
Romania	97,397	107,411	90.7
Spain	477,433	579,042	82.5
Trinidad and Tobago	73,585	59,865	122.9
Venezuela	225,718	240,679	93.8
Yugoslavia	10,979	10,141	108.3
TOTAL	13,647,317	14,517,775	94.0

Source: US Department of Commerce

Meanwhile, the VRAs have carried additional costs. Although the costs of production *have fallen, steel users* endured price increases averaging 15 per cent in 1987 and 1988.

This does not include more costs for carrying larger inventories, shortages, paperwork to apply for special import licences, and lost economic and employment opportunities, the report adds.

It also makes the point that the VRAs benefit an industry employing only 170,000-210,000 workers, to the detriment of steel-using indnstries that employ 5.5m.

The American Iron and Steel Industry has its own arguments. It says that no connection has ever been demonstrated between the VRAs, and *between* either *significant* steep prices rises or shortages. It attributes the higher prices to increased costs for raw materials and appreciating foreign currencies.

It argues that many countries have not even filled their quotas because foreign steel suppliers have found they can sell their prodncts at higher prices elsewhere. In fact, in real terms, prices in 1987 were still 5 per cent less than when the VRAs were instituted.

Short-supply procedures have been improved, and many of the licences granted for short supply gone unfilled due to market softening, the Institute says.

The steel industry insists that it has not grown so healthily that protection can be discontinned. Although *profits* were *about* $2bn *last* year, they followed $12bn in accumulated losses from 1982 through 1986. About 15 per cent of the industry is still in Chapter 11 bankruptcy, and much of its capacity and reserves have been wiped out.

The steel industry would like to see the VRAs extended. It says that, while export licences for quota countries have been going unused, imports from non-VRA countries have continued to rise. Export licences equal to almost 900,000 tonnes went unused in 1987. Commerce Department officials believe that shortfall rose to abont 4m short tounes last year.

A third report, produced by *the* Congressional Research Institute, concluded that quotas could not be pushing up prices if they were going unfilled. No-one seems to have explained why, if they are going unfilled, renewal will be useful.

In any case, the Bush administration has lots of reading matter to study and, according to Mrs Hills, it will be "some time" before a decision is announced. In the end, it will not be a qnestion of choosing between VRAs and free trade – rather choosing between VRAs and trade suits.

UK wants India to speed up decisions

By K.K. Sharma in New Delhi

BRITAIN has asked India to establish a "fast track", on the pattern created for countries such as Japan and West Germany, so that proposals for investment can receive swifter approval.

Such a fast track was set up for those two countries last year at the instance of Mr Rajiv Gandhi, India's Prime Minister, when he visited them.

The British reqnest for a similar fast track was made yesterday in Delhi by Lord Young, UK Trade and Industry Secretary. He was speaking at the start of the eighth meeting of the Indo-British Economic Committee – the first since 1985 – set up to increase economic contacts.

The need for snch a fast track has been felt because of the slow procedures in India for examining foreign investment proposals. The procedures are said to have acted as a deterrent to investment.

Britain has been by tradition one of India's largest partners in trade and investment, although it has been overtaken by such countries as the US, West Germany and Japan. At the meeting yesterday, Lord Young conveyed Britain's keenness to step up investment in India and to encourage more British companies to enter the Indian market.

Poland, Bulgaria set for EC talks

By David Buchan in Brussels

EC FOREIGN Ministers yesterday gave the European Commission the go-ahead to start negotiations on new trade accords with Poland and Bulgaria, amid signs that similar talks may soon start with the Soviet Union.

The ministers agreed on the need to co-ordinate better the *political* and *economic* elements in Community policy towards the Soviet bloc. The Commission and smaller member-states, such as Belgium, are particularly worried that bigger states are using their political weight to make special trade deals with Moscow.

Trade and economic co-operation agreements with Poland and Bulgaria would leave only Moscow and East Berlin out of *the EC's* expanding web of commercial accords with the East.

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FT LAW REPORTS

Aircrash widow loses claim for higher damages

HOLMES v BANGLADESH BIMAN CORPORATION
House of Lords (Lord Bridge of Harwich, Lord Griffiths, Lord Ackner, Lord Jauncey of Tullichettle and Lord Lowry):
February 16 1989

PARLIAMENT has no power to legislate in respect of a contract for carriage by air entered into and to be performed wholly within the territory of a foreign country; and accordingly, damages for a fatal accident occurring on a domestic flight in Bangladesh are subject to Bangladesh, not UK, legislative limits.

The House of Lords so held when allowing an appeal by the defendant airline, Bangladesh Biman Corporation, from a Court of Appeal decision *[1988] 1 FTLR 534* on a preliminary issue, that damages to be awarded to the plaintiff, Mrs Keiko Holmes, for the death of her husband, should be limited according to UK law, not Bangladesh law.

LORD BRIDGE said that Mr Holmes was killed in an aircrash in August 1984. He was a passanger in an aircraft operated by Bangladesh Biman, flying from Chittagong to Dhaka on a purely internal Bangladesh flight. His widow sued the airline for damages on behalf of herself, her children and Mr Holmes's estate.

Under the contract between Mr Holmes and the airline, and under Bangladesh legislation, recoverable damages were limited to £913. But if Schedule 1 to the Carriage by Air Acts (Application of Provisions) Order 1967 applied, damages would be recoverable up to a limit of £83,763.

A preliminary issne was tried in the action as to whether Schedule 1 to the 1967 Order applied. The parties agreed that the damages suffered exceeded the limit imposed by the Schedule.

Mr Justice Leggatt determined the issue in the widow's favour. His judgment was affirmed by the Court of Appeal. The airline now appealed.

There were two international Conventions in force, each providing a uniform set of rules governing contracts of international carriage by air. The first was the Warsaw Convention, agreed in 1929. The second was an amended version of the Warsaw Convention, agreed at the Hague in 1955 (the "Hague Convention").

The UK was party to both Conventions. The Warsaw Convention was enacted into UK law by the Carriage by Air Act 1932, and the Hague Conventioo was enacted into UK law by tha Carriage by Air Act 1961.

Section 1 of the 1961 enacted that the provisions of the Hague Convention , as set out in Schedule 1 to the act, should have the force of law. Section 10(1) provided that Schedule 1 might be applied by Order in Council to non-Convention "carriage by air . . . of such descriptions as may be specified in the Order."

The enabling power conferred by section 10 was exercised by the 1967 Order, providing a set of rules governing all carriage by air not being "international carriage" within either of the two Conventions.

Thus there were three sets of rules in UK law, governing different categories of carriage by air – the Hague rules in Schedule 1 to the 1961 Act, the Warsaw rules in Schedule 2 to the 1967 Order, and the UK rules in Schedule 1 to the 1967 Order. The question was whether the UK rules applied to carriage by air performed wholly within the territory of a foreign state.

Mr Justice Leggatt and the Court of Appeal never applied their minds to the right question. They concentrated exclusively on the language, structure and drafting of the 1967 Order, and concluded in favour of the widow.

But the 1967 Order could have no wider scope and effect than was duly authorised by the power conferred by section 10 of the 1961 Act, to legislate by Order in Council.

If on the true construction of section 10 the enabling power was limited, it was axiomatic that the Order could not exceed that limit.

Accordingly, the essential prior question, before attempting to construe the Order, was whether "carriage by air . . : of such descriptions as may be specified" in section 10, ought to be read as subject to any limitation.

The authorities established a presumption limiting the scope of general words in a UK statute in their application to subjects of sovereign states who were outside the jurisdiction of the UK Parliament – the "presumption against extra-territorial legislation."

The question was whether section 10 legislation was subject to any limitation arising from the presumption that Parliament was not to be taken, by the use of general words, to legislate in the affairs of foreign nationals who did nothing to bring themselves within its jurisdiction.

Four distinct categories of carriage fell for consideration: (1) carriage in which departure, destination and agreed stopping places were within the UK; (2)non-Convention carriage involving departure, destination or agreed stopping place in a foreign state, and departure, destination or agreed stopping place in the UK; (3)non-Convention carriage between two foreign states with no agreed UK stopping place; (4) carriage within a single foreign Convention or non-Convention country.

Carriage in category (1) was clearly within the proper scope of UK legislation, and was covered by the UK rules.

The presumption against extra-territorial legislation had no relevance to category (2).

With regard to category (3), contracts of carriage by air in direct flights between two non-Convention countries could be of no legitimate concern to the UK Parliament. If Parliament claimed to regulate the rights and liabilities of the parties to such contracts, it would be asserting a jurisdiction over foreign subjects who had done nothing to bring themselves within that jurisdiction.

If that applied to carriage in category (3), it applied *a fortiori* to carriage in category (4), the relevant category in the present case. A contract made and to be performed wholly within the territory of a foreign state would normally be subject to the laws of that state and no other.

That the UK Parliament should exercise a power to regulate the terms of such contracts would seem an extreme example of the legislature doing precisely that which the relevant authorities said it was presumed not to intend.

For those reasons the words of section 10 "carriage by air . . . or such descriptions as may be specified" should be construed as limited to carriage in categories (1) and (2) which were appropriate subjects of UK legislation, but as exclnding categories (3) and (4) which were not.

The appeal should be allowed.

LORD GRIFFITHS agreeing, said that the construction *adopted* in the courts below failed to give sufficient weight to the presumption against Parliamentary intention to legislate for matters that were properly the concern of other countries.

There was no reason why Parliament should have thought it right to take upon itself to legislate for matters which were no concern of ours.

LORD JAUNCEY also agreeing, said that there was nothing in the 1932 or 1961 Acts which expressly enacted that foreign carriage by air other than Convention "ioternational carriage" fell within their ambit. Parliameot's intentions were clear and unambiguous.

Far from there being a plain implication in the acts that foreign carriage by air of any description was intended to be brought within their scope, all the circumstances pointed in the opposite direction.

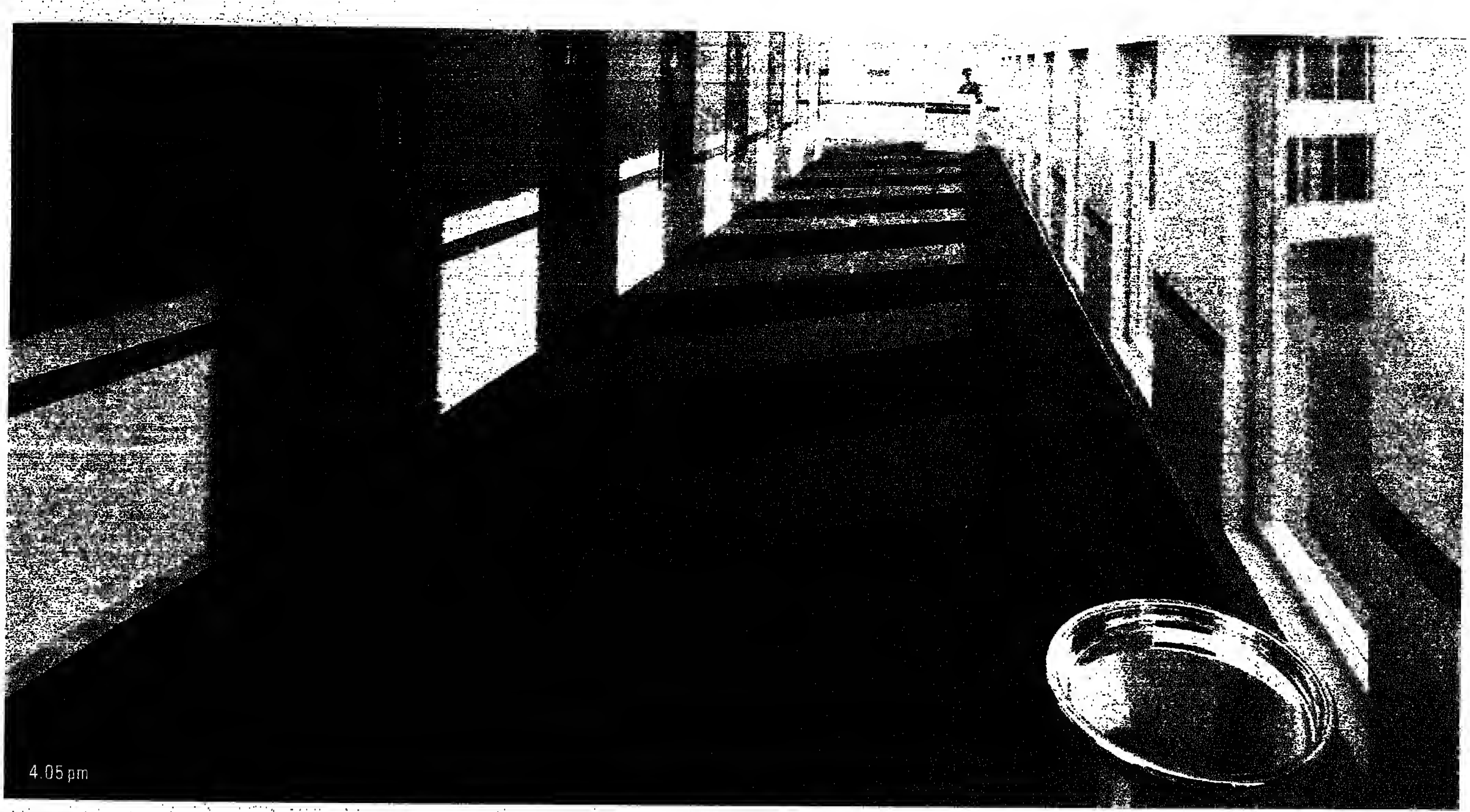
The 1961 Act and the 1967 Order did not apply to the contract of carriage between Mr Holmes and the airline.

Schedule 1 to the 1967 Order applied to: (1) carriage wbolly within or between parts of UK teritory, and (2) carriage which, under the cootract, had a place of departure, destination or agreed stopping place within UK territory, and which was not included within tbe definition of international carriage in either Convention.

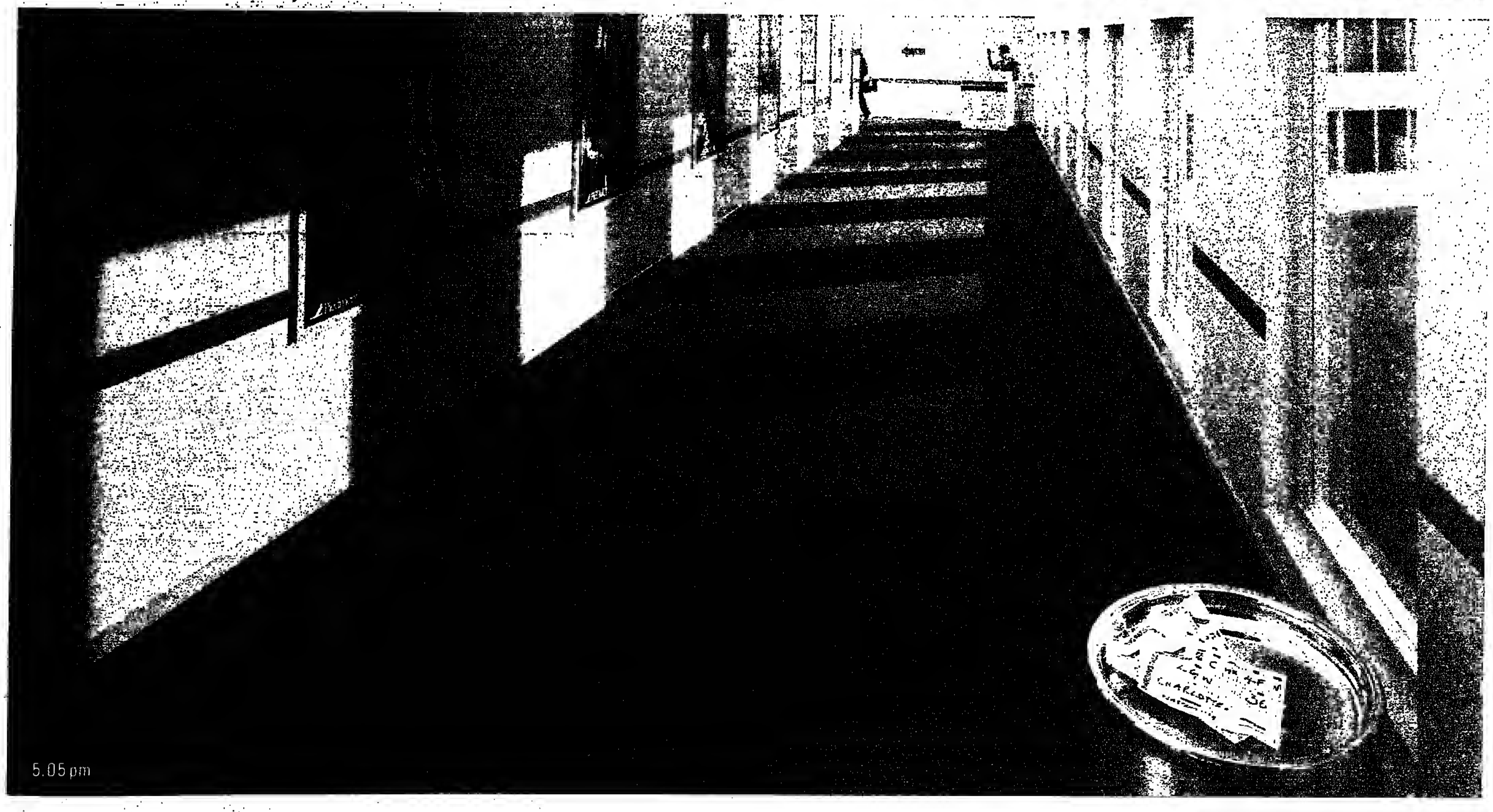
Lord Ackner and Lord Lowry agreed with all three judgments.

For Mrs Holmes: Timothy Walker QC and S. Browne-Wilkinson (Clifford Chance).
For the airline: Charles Sparrow QC and Robert Webb QC (Beaumont & Son).

Rachel Davies
Barrister



Revealed, the unusual customs of North Carolina.



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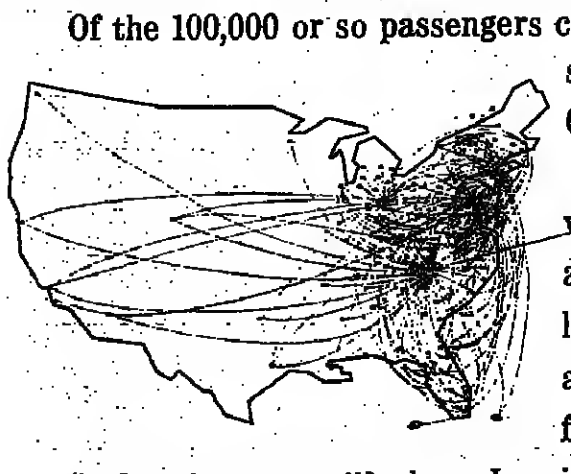

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UK NEWS

Bank lending up, but figures also hint at slowdown

By Ralph Atkins, Economics Staff

HEAVY borrowing by companies to pay their tax bills brought a big increase in bank and building society lending last month, but Bank of England figures released yesterday also showed signs that consumer borrowing and economic activity are slowing.

Lending by banks and building societies rose by a seasonally-adjusted £8.5bn in January – the third biggest rise on record. Lending by UK clearing banks to the personal sector, however, saw the smallest rise for nearly two years.

The official figures also showed a further slowing in the growth of M0, the narrow money supply measure consisting almost entirely of notes and coins in circulation.

The measure is closely watched by the Treasury as an indicator of current economic activity and inflationary pressures.

In the 12 months to January, M0 increased by 8.1 per cent, down from 8.5 per cent in December, but still outside the 1 per cent to 5 per cent target range set by the Treasury for 1988-89.

M0 fell by 0.6 per cent in January after adjustment for normal seasonal variations. The adjusted figures show an increase of 7.4 per cent in the past 12 months, but if figures for the past three months are expressed as an annualised rate, they show an increase of just 2.3 per cent.

The slowdown provided some encouragement for financial markets, helping to push the FT-SE 100 share index 22.9 higher to 2,065.8. The FT Ordinary ended 18.8 higher at 1,696.9.

Figures published yesterday by the main commercial banks showed the increase in their personal lending was the lowest since February 1987. Most of this lending was for house purchases, with other sectors subdued. The exception was credit cards, which showed consumers repaying debt.

The Treasury said the data supported its case that the economy was slowing, particularly in the personal sector.

January's increase in bank and building society lending coincided with the height of the company tax paying season – which has been boosted by strong profitability last year.

Corporate tax receipts in January were 12 per cent higher than in the corresponding month on 1988.

This almost certainly exaggerated growth in M4, the broad measure of money supply, which includes bank and building society deposits. In the 12 months to January it increased by a seasonally-adjusted 18.2 per cent, up from 17.3 per cent in December, although figures for the past six months point to a slowdown.

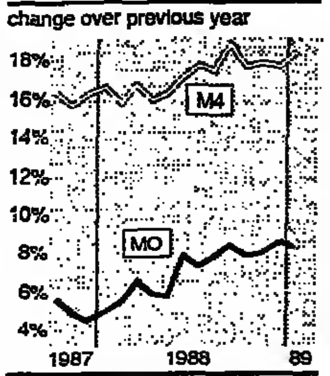
The Bank of England figures for bank lending alone, show a rise of £6.4bn in January. The difference between this and total for both banks and building societies has widened since December, suggesting that the slowdown in building society lending may have stalled although it could reflect transactions between banks and building societies.

● Allied Irish Bank is to launch a Visa credit card in the UK offering an interest rate of 19.5 per cent and a cheque account facility, in return for a monthly fee of £1, writes David Barchard.

Allied Irish's card makes its appearance as competition in the credit card market is at an all-time high.

Money Supply

change over previous year



Rail inquiry focuses on signal staff

By Kevin Brown, Transport Correspondent

THE PUBLIC inquiry into one of Britain's worst rail crashes, in which 35 people died last year, will concentrate on the work carried out by nine signal technicians, Mr David Latham, QC, independent counsel to the inquiry, indicated yesterday.

The accident happened at 8.10am on December 12 at Clapham, south London, when a train from Poole, Dorset, ran into the back of a stationary train from Basingstoke, Hampshire, on the fast line to Waterloo. Some carriages from the Basingstoke train then collided with an empty train travelling in the opposite direction.

The inquiry will also consider wider issues such as British Rail's management structures, pay, staffing and overtime payments, Mr Latham said.

Opening the inquiry at London's Central Hall, Westminster, Mr Latham said that two of the three trains were crowded with commuters, but there appeared to have been no direct link between overcrowding and the number of deaths.

The signalling system had malfunctioned because of a loose wire left in place during modernisation of the pre-war signalling system.

Work had been carried out on two successive weekends before the accident by three of the technicians at the centre of the inquiry: Mr Brian Hemingway, a senior technician assisted by Mr Patrick Dowd on the first occasion and Mr Martin Sayers on the second.

Mr Latham said Mr Hemingway was a very experienced technician who was a "meticulous, neat worker". His mistake was not spotted by supervisory and testing staff.

"The central question will be the extent to which proper procedures of supervision and testing were in place, and whather they were baing adopted by the relevant staff at the time," Mr Latham said.

The other technicians involved in signalling work around the crash site are: Mr Derek Bumstead, supervisor; Mr Peter Dray, tester; Mr James Lippett, signal works assistant engineer; Mr Geoffrey Bailey, signal works engineer; Mr John Deane, area signals engineer (works); and Mr Roger Penny, area signals and telecommunications engineer.

He noted that the driver of the Basingstoke train, Mr Alex McClymont, had stopped to report a signal malfunction when his train was rammed.

The driver of the Poole train, Mr John Rolls, who was killed, appeared to have been driving at the proper speed when he passed a signal.

The signal should have been set at red to stop the train, but was probably set at either green or yellow, both of which would have allowed Mr Rolls to proceed on to the stretch of track occupied by the stationary Basingstoke train.

The inquiry would have to look carefully at the management of the work being done, and whether there was a failure to set and maintain proper standards.

A REPORT containing 31 safety recommendations arising from the 1985 Manchester air disaster will be published next month, Mr Paul Channon, Transport Secretary, said. The announcement came under immediate attack from Mr Alf Morris, the MP whose constituency takes in Manchester Airport. He accused the Government of trying to divert attention from the report by publishing it on March 13, the day before the Budget.

Mr Morris also attacked the Government for taking $3\frac{1}{2}$ years to publish the findings and was angry that Mr Channon had not volunteered to answer questions in the House of Commons at the time of publication. Fifty-five people lost their lives when a British Airtours Boeing 737 caught fire on take off in August 1985.

Clarke publishes papers on health

By Alan Pike, Social Affairs Correspondent

MR KENNETH CLARKE, Health Secretary, yesterday published eight working papers which he said would "dispel the myth" that the Government was planning to privatise the National Health Service.

The working papers, promised when the health care white paper (draft law) last month, are intended to amplify the Government's plans. But there were immediate complaints from critics that, like the white paper itself, they were thin on detail.

Mr Trevor Clay, general secretary of the Royal College of Nursing, the nursing union, said that the papers left too many questions unanswered. "A Government which has lectured the NHS for almost a decade about the lack of financial information seems reluctant to say how much all this will cost."

The British Medical Association said it would examine the papers in detail, but noted that they made "no reference to any additional funding, either to make up for current shortfalls or to take account of the inevitable administration-cost rises which will result from many of these proposals."

Mr Clarke said the response to the white paper had been reasonably favourable, and many people in the NHS recognised that the Government's proposed reforms had to happen. The Government would be initiating discussions with a range of interested parties in the NHS on the basis of the working papers.

The documents make clear that the Government's plans for hospitals to become self-governing, outside direct health authority control, will be extended to small hospitals and community-based services.

Editorial Comment, Page 16

Sinking feeling brings flood into overseas trusts

Richard Waters reports on the capital flight caused by City rumours of a removal of tax advantages

FINANCIAL connoisseurs were treated to a classic case of British pre-Budget lunacy earlier this month.

It was rumoured in London's financial centre that the tax advantages of overseas trusts were to be removed imminently. The Inland Revenue's press office disappeared under an avalanche of enquiries.

Lawyers and accountants set up hundreds of overseas trusts within a matter of days to take advantage of the existing system (hundreds of millions of pounds worth of assets flowed off-shore as a result).

And then...nothing.

Like all really good rumours, this one died as suddenly as it had emerged. Yet it is still widely predicted that the Chancellor of the Exchequer will have overseas trusts near the top of his list when he stands up to deliver his Budget speech on March 14th. The more interesting question is whether UK trusts will be there as well.

During the committee stage of last year's Finance Bill – when MPs scrutinised the Bill following its second reading in Parliament – of Mr Norman Lamont, financial secretary to the Treasury, said the taxation of trusts would be under review during the next year.

According to Mr Paul Bowers, a partner at Price Waterhouse, the accountancy firm, the main current use of trusts is in reducing the impact of inheritance tax.

"People understand about giving things away" to avoid inheritance tax, he says. "But they don't know always know who they want to give it to or how they keep control of it in the meantime."

There are three basic types of trust. Under the first, "interest in possession" settlements, a named person has a right to some or all of the income from a trust.

With discretionary trusts, on the other hand, the trustees decide. The third type of trusts are "accumulation and maintenance" arrangements, under which income is accumulated usually for young children until they reach a certain age.

There is also a hybrid arrangement, known as a mixed settlement, under which some of the income is pre-determined and some is at the discretion of the trustees.

These mixed settlements are likely to be the first subject for review in this year's Budget. They have been the subject of considerable concern since the last Budget, when discretionary and mixed settlements came under attack from the Government.

Both are now subject to tax at the highest marginal rate of the person who transfered the asset into the trust (the "settlor"). This is to prevent the use of trusts to escape higher rate income tax.

The effect of this anti-avoidance move is widely expected to be mitigated in this year's Budget. Critics said at the time that, by taxing mixed settlements as though they were discretionary, the Government was penalising the named beneficiaries as well.

This would lead to the fragmentation of trusts – and the only people to gain from that are the lawyers and accountants who make money out of the whole process. The Government has said it will look at this area.

A second subject likely to come under scrutiny in this year's Budget is the use of trusts between husbands and wives. April 1990 sees the introduction of independent taxation for spouses. Husbands will no longer be taxed on their wives' unearned income.

The Chancellor has already said he does not intend to prevent husbands transfering assets to their wives to take advantage of this.

Any anti-avoidance provisions like this would undermine the purpose of independent taxation, since they would encourage the concentration of assets in husbands' hands.

The Government, however, is known to be concerned about one particular abuse. By putting an asset into trust, it will be possible for a husband to transfer income to his wife while retaining control over the capital.

This concern is understandable: it would enable the couple to reduce their overall tax bill without changing the underlying ownership of their assets.

The treatment of overseas trusts is the third and most significant change expected. At present, any capital gain made by an overseas trust falls outside the UK tax net: it is only taxed when the money is actually paid into the UK. By moving abroad after retirement, it becomes possible to avoid capital gains tax altogether.

There are disadvantages, however, most notably that capital gains tax falls due on the latent capital gain in an asset when it is put into such an arrangement: only the gain that accrues after the asset goes off-shore escapes.

This makes overseas trusts ideal arrangements for assets which are expected to rise in value considerably in the future, such as shares in private companies.

Exporting an existing UK trust, on the other hand, is more tax efficient. Tax is only paid on the "hold-over gain" – that is, the capital gain at the time the asset was transfered into the UK trust in the first place. Provided the trust has been in place for some time, this tax may be relatively light.

The easiest way of attacking an overseas trust would be to apply an exit charge whenever the ownership of assets passes abroad.

This would mirror last year's Budget move to apply an exit charge to companies which move overseas.

If this happens, then all those who have rushed to set up overseas trusts in the last few weeks will give themselves (and their professional advisers) a firm pat on the back.

The Government's continued silence on overseas trusts may suggest a different approach. It may simply disregard the off-shore status of a trust in cases where the beneficiary and the donor are one and the same.

This would pull the carpet out from under the feet of those who have rushed to avoid tax, leaving the last laugh with the Treasury.

Peace formula could prevent strikes at car plants

Union ballot favours one day stoppages at Jaguar

By Richard Tomkins, Midlands Correspondent

JAGUAR'S pay dispute could be resolved peacefully following a union ballot yesterday which produced a small majority in favour of a series of one-day strikes.

Management and unions at the luxury car manufacturer softened their stances and showed signs of re-entering talks.

Industrial action was favoured by 4,492 – fewer than 55 per cent – of the 8,253 manual workers at Jaguar's Birmingham and Coventry plants in the Midlands, where votes were counted yesterday afternoon. There were 3,741 against and 20 papers were spoiled.

The votes of 170 electricians – traditionally moderate – have yet to be counted.

Union leaders were equivocal over whether they regarded the outcome as a mandate for the stoppages. Jaguar, meanwhile, made its first offer of talks since the final pay offer in December.

The ballot asked employees whether they were prepared to take industrial action, including strike action, over the company's refusal to increase its two-year pay offer worth a little over 4 per cent each year.

The form of industrial action was not spelled out, but union leaders made it clear they would be looking for stoppages every Monday rather than an all-out strike.

In January, the pay offer was rejected by more than 70 per cent of workers in a ballot. There was, however, no threat of industrial action in that ballot.

Mr Tony Russell, engineering workers' convener at Jaguar's Browns Lane assembly plant, Coventry, acknowledged that the union side would have liked a larger majority. He ruled out an immediate start to industrial action, and said the conveners would discuss their next move with union officers.

"It would be very nice to think we could sit down with the company again and come out of it without a dispute, but we have got a majority for a dispute and we will have to wait and see till we have spoken to the officers."

A Jaguar spokesman said: "Clearly the vote was very, very close as we expected. Although there is no new money available, there will have to be talks between the company and the trade unions."

The last part of the company's statement is likely to be interpreted as opening the way to a peace formula that will allow both sides to settle without losing face. The implication is that Jaguar may be prepared to add a non-financial incentive to the package.

THE Union of Democratic Mineworkers yesterday agreed to a two-year pay package which its members rejected last year, after an independent arbiter ruled the British Coal offer was "fair and reasonable", writes Michael Smith. UDM leaders said they were bound to accept the decision.

Sky TV to make own 'smart card' for viewers

By Raymond Snoddy

MR RUPERT Murdoch's News International plans to manufacture "smart cards" for its subscription satellite television in the UK.

Mr Andrew Neil, executive chairman of Sky Television, the four-channel satellite service launched this month, revealed the decision at the Financial Times Cable and Satellite Conference in London yesterday.

Mr Neil, who is also editor of the Sunday Times newspaper, said the operation would create up to 400 jobs.

Smart cards – which look like a credit card but contain a sophisticated microchip – can unlock the scrambled television signal for pay television services.

Sky plans to introduce a satellite pay television service towards the end of this year. It will charge £12 a month for a two-channel package – Sky Movies and The Disney Channel.

In the US, piracy of pay television signals has been a serious problem. "We think this will be impossible to break," Mr Neil said yesterday.

The decoder box for Sky Television pay services is made by Thomson, the French electronics group. The smart card to unlock the system, however, has been developed by News Data Corporation, a small Israeli-based company in which News International has a 60 per cent stake.

Mr Neil said yesterday the smart cards would be made in the UK in a joint venture with an unnamed French company – not Thomson. Manufacture would begin by tha autumn and produce at least 2m cards in 12 months.

Bass joins Bacardi, Martini in wine move

By Lisa Wood

BASS, Britain's biggest brewer, is strengthening its presence in its domestic wine and spirits market by forming a joint venture company with Bacardi International of the US and Martini and Rossi of Italy.

The jointly-owned group will sell a combined portfolio of brands which include Bacardi Rum, Martini, Otard Cognac, Veuve du Vernay and Emva Cyprus Cream.

The venture covers only England and Wales.

Bass said yesterday: "Wa realised that we were being left out of the major re-groupings in wine and spirits. A merger will create a strengthening of our sales and marketing efforts which, with a larger number of brands, will be able to push more effectively in the market-place."

Bass has lagged behind many of its UK competitors in the drinks industry in developing wines and spirits operations.

Hedges and Butler, its wine and spirits arm, developed out of servicing Bass's own pubs and has acted as an agent for several brands including Bacardi Rum and Mouton Cadet wine.

Hedges and Butler has sought in recent years to strengthen its operations with the acquisition of the wine business of Colman's of Norwich and Cognac Otard.

Bass does not break down the profitability of Hedges and Butler in its financial results, with soft drinks and off-licences included in the division.

In the year to Septembar 1988 this division made a pre-tax profit of £42.4m compared with £299.7m from brewing and pubs for example.

Bacardi, of which the Bacardi Rum brand is the best selling spirits brand in the world, has also been looking to increase its joint ventures in Europe as part of its push in the European Community before the removal of internal market barriers in 1992.

Bacardi, for example, has formed a joint venture in Spain with Guinness, the UK drinks and leisure group, which, along with IDV, the spirits subsidiary of Grand Metropolitan, is a major proponent of joint ventures.

Martini and Rossi, a privately held Italian company, does its own distribution in the UK although it does have some joint ventures elsewhere including one with Bacardi in the US.

The new joint company will be based at Southampton, on the south coast, in offices now used by Martini and Rossi.

● Miss World, the local radio and entertainment group, increased its bid for Picadilly Radio, the independent Manchester station, to some £39m, severely disrupting a general meeting of the company as the directors adjourned three times to consider the fresh bid, writes Ian Hamilton Fazey.

Both groups' shares were suspended during the second adjournment and the meeting will resume today to vote on Picadilly's plans to merge with Midlands Radio, which Miss World wants shareholders to reject as a condition of its bid. Miss World, where Mr Owen Oyston, the Lancashire entrepreneur, is chief executive, claims that 45 per cent of the votes will be in its favour.

Housebuilder discusses possible £100m buyout

By Nikki Tait

CHARLES Church Developments, Surrey-based housebuilder, yesterday said it was discussing a possible £100m management buyout bid – the latest in a series of such deals, which have become increasingly popular since the 1987 stockmarket collapse.

The housebuilder said talks were proceeding with tha Charles Church family interests which could lead to an offer at a price of about 115p a share, which would capitalise the company at £99.3m.

The Stock Exchange, meanwhile, is understood to be investigating the sudden rise in Church shares last week. They jumped 6p on Thursday and a further 12p on Friday, closing the week at 94p.

Mr Charles Church, chairman, said that when he considered asking the exchange toexamine the rise, he was told that the authorities were already looking at the matter.

If the offer goes ahead, it would represent a marginally quicker return to private status than that of Mr Richard Branson's Virgin group – where a £250m management bid was successful last autumn, two years after the company came to market. Church floated 25 per cent of its enlarged equity in April 1987 at 115p a share.

An offer would probably start with formidable shareholder support since the Church family owns about 70 per cent of the equity.

Last year, Church announced 55 per cent improvement in pre-tax profits to £18.5m. Forecasts for the current year have ranged about £22m to £25m.

Matsushita to raise EC manufacturing output

By Paul Abrahams

MATSUSHITA Electric Industrial, Japan's leading consumer electronics group, said yesterday it would raise European production by 13 per cent over the next three years.

The company, which trades under the name of National Panasonic and Technics, and half-owns JVC, gave no details about the possible scale of investment. However, it said that it had invested $260m in Europe to date.

The company said it was conducting feasibility studies to establish possible locations for new investment. Wales is a likely candidate for any new manufacturing facilities.

Matsushita has large manufacturing facilities in Port Talbot in South Wales and said it would be logical to expand in where it already had production.

The company said it would expand European production to the equivalent of about 50 per cent of sales in the European Community. Matsushita's European turnover last year was $4.2bn.

Matsushita said it was strengthening its existing European manufacturing facilities to reduce its vulnerability to accusations of dumping.

Separately, Mr Koju Suzuki, president of Panasonic Europe, said that the company would be expanding its European research and development facilities. He said a likely location for that investment was West Germany, but added that there was a possibility that resources might be shared between two EC countries. An announcement should be made towards the end of this year.

Hammer promise on Piper Alpha bodies

By Steven Butler

DR ARMAND Hammer, chairman of the US oil company Occidental Petroleum, yesterday intervened in what has become a bitter dispute over recovery of bodies that may be trapped beneath a pile of rubble left at the bottom of the North Sea after the Piper Alpha oil platform disaster.

Dr Hammer, in a letter to Mr Gavin Cleland, father to one of the victims, promised Occidental would not give up efforts to recover human remains should they be discovered during a detailed survey of the 12,500 tonne debris pile, to be conducted after the remains of the Piper steel jacket are toppled next month.

Dr Hammer also said he had asked Occidental executives to make proposals for a permanent memorial to all of the 167 men who died in the tragedy off the Scottish coast last July. Thirty-one bodies have not been found.

The proposals, however, fall far short of the demands which have been put forth by Mr Cleland and a group of other relatives of the victims, who have travelled throughout Britain promoting their claim that Occidental should be forced to retrieve all debris from the seabed as well as any human remains that can be located.

The group has experienced several weeks of frustration in which they were told successively by Lord Cullen, who is heading the Piper Alpha disaster inquiry in Aberdeen, and by Mr Cecil Parkinson, the energy secretary in London, that recovery of human remains was not part of their responsibilities, although each expressed sympathy for the plight of the bereaved families.

Scottish police formally called off the search for human remains in December, six months after the disaster.

Dr Hammer said recovery of the tangled and twisted steel would be extremely hazardous. He said the materials were likely to be under great tension, that buoyant debris would be a hazard to surface vessels if released, and that pockets of gas were trapped at high pressure. One diver was seriously injured by the explosion of a gas pocket during recovery operations for the accommodation module from the seabed.

The Piper Alpha inquiry has heard wildly different assessments of difficulty of making a full recovery of the Piper Alpha debris. Hollobone Hibbert, the consultants, prepared a report for Occidental estimating that recovery could take up to 10 years and cost £1bn.

A group of divers, however, has claimed the debris could be recovered safely. London Offshore Consultants, testifying for the Crown Office, said the recovery could be accomplished in several years at a cost of between $20m and $50m. Mr James Petrie, safety director of the Department of Energy, however, testified that recovery of the debris was not likely to produce conclusive evidence on the causes of the disaster.

Exports of tractors up 9.8%

By Nick Garnett

THE FARM tractor industry reinforced its position as a leading export sector last year, raising its positive trade balance to £433m, a 9.8 per cent increase on the preceding year.

Exports of tractors and tractor engines stood at £613m, with imports at £180m, the Agricultural Engineers Association said. Engines accounted for £65.1m of the export figure last year.

Sales abroad of tractors and tractor kits, measured by unit volume, rose by an even larger figure. Exports last year of 89,231 units, excluding engines, was 12.5 per cent up on the 79,345 of 1987.

The UK vies with Italy as Western Europe's largest tractor maker, measured by unit volume, but is a much bigger exporter than Italy.

West Germany makes fewer tractors than Britain but the overall value of its sales is probably higher because of the strength of the D-Mark and the larger, more complex and costlier tractors it produces.

The three main North American makers dominate UK tractor output. Massey-Ferguson, part of the Canadian Varity group, which produces in Coventry, was the UK's biggest tractor exporter last year.

The biggest export market for UK-made tractors is the US. It took 25.9 per cent of UK output last year, worth £141.9m.

France was the second-largest market, taking 9.1 per cent of UK factory output.

UK NEWS

ICI set to raise anti-pollution standards in UK

By Peter Marsh

THE BULK materials subsidiary of Imperial Chemical Industries, Britain's biggest chemicals company, is preparing to raise its environmental standards as part of a move to anticipate the likely introduction of tougher European Community anti-pollution regulations.

Mr Richard Pocock, director of health, safety and environmental affairs at ICI's chemicals and polymers unit, said the cost of the measures was likely to be substantial. The unit has annual sales of about £5bn.

The chemicals and polymers group makes and sells a range of bulk chemical products such as plastics, chlorine-based solvents and sulphuric acid. The group, which accounts for just under half of ICI's £12bn annual sales has its biggest plants centred on Merseyside, in north west England and Teesside in the north east.

The move comes as the European Commission in Brussels considers a range of measures to unify environmental standards across the EC before the single market in 1992.

The chemicals industry is likely to be particularly affected by such measures, which would cover emission of waste gases and liquids into the air and rivers.

Some representatives of the UK chemicals sector believe the EC-inspired regulations may be more onerous than UK anti-pollution laws.

Mr Pocock said he thought ICI's bulk chemicals plants had a generally good environmental record but that more could be done to ensure that high standards were applied uniformly. Also, anti-pollution regulations in Western Europe could be expected to become more rigorous, reflecting increased public and political interest in environmental matters.

Measures being introduced across the chemicals and polymers group include reporting procedures under which managers at all 30 European plants will report monthly any undue spillages of chemicals and the degree to which their plants comply with specific environmental laws. Twenty-three of the plants are in Britain.

Other new moves include

- Stricter standards over waste emissions by ICI plants into the Tees and Mersey estuaries. These emissions, covering chemicals such as chlorine-containing compounds and ammonia, are generally within legal limits but may have to be modified in the light of new EC regulations.
- Tougher procedures over channelling of waste gases into the air from factory plumes. Particular gases over which ICI may seek greater controls include oxides of nitrogen, which can lead to acid depositions.
- More training for the chemicals and polymers units' 35,000 staff on environmental matters.
- Links by individual ICI plants with local community groups to foster ways of encouraging wildlife and safeguarding the ecology around these sites.
- More rigorous management of stockpiles of hazardous materials to ensure that inventories of such substances are kept low.

Agency plans a brighter future in Black Country

Hazel Duffy examines moves to rejuvenate part of the Midlands through new jobs and investment

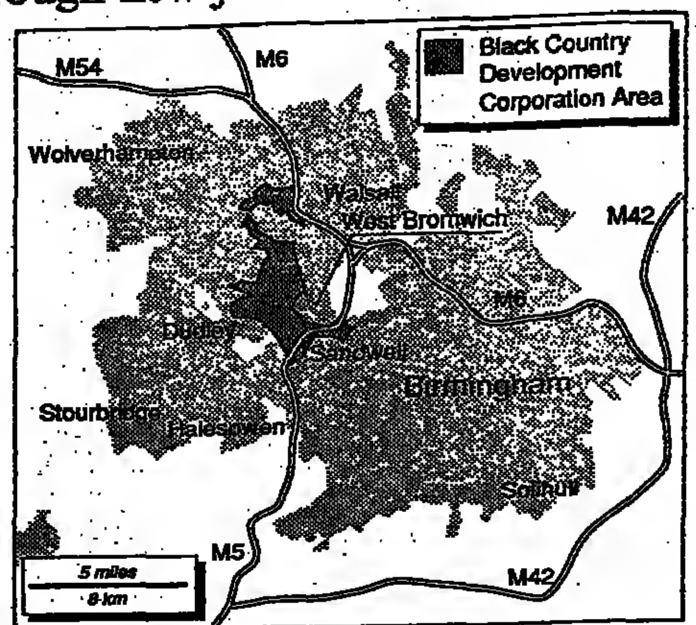
MR BILL Francis, chairman of the Black Country Development Corporation, oversees nearly 6,500 acres of land in the West Midlands region of Britain.

His brief is to set in train the regeneration of an area which bears all the scars so familiar in parts of the UK which have suffered industrial decline.

The corporation, one of the second generation of urban development corporations (UDCs) set up by the Government in 1987, is a facilitator rather than a developer in its own right.

The corporations ware formed as Government agencies to attract new investment and businesses to areas of industrial decline and high unemployment.

The Black Country is difficult terrain. Some 1,500 acres are classified as derelict or under-used.



The area is criss-crossed by railways, local roads and canals which were built to service the traditional metal processing and engineering activities of the region. Land contaminated by industrial waste and old mines, is *another legacy of the past.*

Some 35,000 people live within the boundaries of the corporation, which means the Black Country *UDC* must pay a lot of attention to fostering good relations with local people and large companies, such as the international engineering group TI, and a multitude of smaller businesses.

The area also takes in three local authorities, Sandwell and Walsall, which were joined by Wolverhampton when the *boundaries of the UDC* were extended nearly a year after it was set up.

Mr Francis, a former chief executive of Tarmac, the civil engineering company, is undaunted by the scale of the task in bringing economic and physical renewal to the area.

He believes the UDCs have been given most of the necessary powers to do the job. But, in the case of the Black Country, one vital ingredient was missing. It was given no land when it was formed. Land prices started to rise soon after the UDC board was appointed. Another problem in the Black Country was the status of the enterprise zone – the government-designated area where new businesses enjoy free rates – which has been the engine for development in other UDCs (except Merseyside).

Land acquisition is the first step for the UDCs. One of their prime targets is to assemble land, which can be done by *agreement or compulsory purchase* orders. The owners are usually the local authorities, public utilities, big companies and often a myriad of small companies. In the Black Country, much of the land was still owned by companies which were no longer operating. Most of the sites are small, less than 20 acres.

The first 18 months of the UDC's life were dominated by land acquisition. The corporation expects to end up with 700 acres, *most of it derelict,* of which 300 will have been compulsorily purchased. "It is enough to enable us to act as a catalyst and, more important, to hold land prices," said Mr Francis.

The corporation has a limited life. Although not specified in the parliamentary order which set it up, the UDC is working to a scale of about eight years. "That means we have to fire on all cylinders at once," said Mr David Morgan, the UDC's chief executive.

In March 1988, the Black Country scored a victory when the Government allocated £50m towards a new five-mile road. This will link existing roads to provide a direct route to the M5 *and M6 motorways.* It should be completed by the end of 1991. "If it had not been for the existence of the corporation, it would have taken 20 years for that road to get approval," Mr Francis claimed.

Another landmark in its short history was an agreement with the Speyhawk Alton Group to develop a £300m leisure and retail project on the former Patent Shaft and Moorcroft sites near Sandwell.

Schemes involving another £90m of private investment *have been approved* so far. The UDC also administers the Government'e City Grants scheme in its area. Some £2.8m of grants have been approved, which will generate nearly £13m investment.

The Black Country has 40km of canals. The areas around the canals are now seen as an asset, particularly as a setting for the sort of executive housing the area is short of, and which is needed to attract outsiders. Lower-priced housing is *also required* in the area, where much of the existing stock is of poor quality.

Regeneration, however, goes far beyond the renewal of the bricks and mortar. The UDC has a role in the provision of training facilities, and it will be bidding for one of the new City Technology Colleges – the business-backed schools with industry-orientated curriculums.

All of this can only be achieved by working with other government agencies and the local authorities. Relations with the councils, which are represented on the UDC board, are reasonably good despite their initial hostility to having a UDC imposed by the Government.

But a tremendous task stares in the face of every visitor to the Black Country. The Corporation expects about £200m from the Government spread over seven years. If this amount generates four to five times the sums from the private sector, it will begin to make an impact. But it will only be a start.

This is the first in a series of articles examining the progress of the Government's UDCs,

US group chosen for electricity plant

ONE OF the 12 area electricity boards in England and Wales has chosen a US company to draw up plans for its first independent power station after the privatisation of the electricity industry in 1990, writes Maurice Samuelson.

The South East Board (Seeboard), based in Hove, Sussex, said that Applied Energy Services Electric had been asked to carry out feasibility studies for a 100 MegaWatt – 200MW station using gas or coal.

At preeent prices, the scheme would cost between £50m and £200m to construct, depending on its size and the technology selected.

Mr George Sqair, chairman of Seeboard, said AES Electric and Seeboard would be working closely on the project, the success of which would depend on whether it offered electricity at a competitive price to the 4.5m people in the area.

AES Electric, based at Arlington, Virginia, claims to have experience of both coal and gas-fired plant and to operate three power stations in the 100MW to 200MW range in Texas, Pennsylvania and California. It has two more stations being built and contracts signed for four more.

ARTS

Dark, personal gods and icons

William Packer reviews one-man shows by Andrzej Jackowski and Sydney Nolan

Andrzej Jackowski, a graduate of the Royal College in the later 1970s, is one of that generation of younger British painters, that emerged around 1980, whose work is loosely expressionist in its manner and characterised by a mystical or symbolic figuration. Now in his middle 40s, he has enjoyed a consistent if unspectacular critical success over recent years, marked now by his second one-man show at Marlborough Fine Art (until March 10).

There have, of course, been changes in the work in that time, yet it remains immediately recognisable as his, in both method and imagery. Jackowski has always employed a rich, warm palette, low in key, with the surface dense and the paint worked with a soft and feathered touch. So it remains as it was, and so too does the imagery as such, which was always invested with a sense of a private mythology, peopled by dark personal gods and symbolic, amhiguous incident. The sense has always been of sacred groves and numinous places, of the magic tree, the boat drawn up on the shore, the priest at the altar and the god in judgement on his throne.

Such unspecific suggestion always gained hy the technical concentration of its making, and it seemed that Jackowski was all the better for resisting the orthodoxy of his contemporaries, that assumed an inflated importance would always follow upon an inflated scale. Now Jackowski, too, is making large paintings, and while they are unobjectionable and no less personal to him, they are also less remarkable. The painted surface, for all its characteristic and seductive scumbling, is now thinner and more obviously mannnered, and the size required of the image is now inclined to expose the weakness of the drawing. The theme of the seated bride, based upon the seated nude with her cat in Carl Carra's "The House of Love," is not necessarily developed by superficial repetition, and the larger, simpler heads seem mere beginnings, unresolved.

The interest and justification of these larger works falls entirely on the image, qua image, rather at the expense of that old integrity and mutual dependence of form and content. Perhaps he is simply working too fast, to produce too much, which was ever the temptation of success. As it is, the smaller works are the stronger, tha more mysterious and beautiful. In the dark landscapes of the seashore, or beneath tha strange "Umbrella Tree," where the figures are less insistent by their presence, and the atmosphere and sense of place becomes the but palpable image, the work remains as strong and engaging as it ever was.

*

Sir Sidney Nolan is, in contrast to Jackowski, one of the great panjandrums of contemporary art and his current show, a mini-retrospective, is now in its last week at Waddington Galleries (until February 25). With him the question is less one of scale, with its consequence attenuation of technique, than of perfunctoriness of statement once the characteristic image has been established. And it is a question that would seem to have come and gone with him throughout his career.

In his image of the outlaw, Ned Kelly, which sustained an extended series of paintings through the late 1940s and early 1950s, Nolan created an authentic modern icon, at once peculiarly his own, immediately recognisable in itself and universal in its appeal. Here we see three late variations (1955) upon that square, black Kelly head, each one carried through as though the mere statement were enough, as it were a kind of

"Billy Budd" by Sidney Nolan, 1977

visual oath, as forceful a and striking as it is empty of thought.

And yet in three further heads, the earlier "Colonial Head" (1947) and the later "Head" (1964)and "Billy Budd" (1977), we discover first a prevision, and then true echoes of the authentic Kelly, an image of tragic, humane simplicity. Two landscapes, too (1950 and 1963), show a particularity of image and attention to statement, simple as they are, that are entirely resolved in themselves and at one with each other. And then comes the group of cockerels (mid 1970s), each one ill-drawn and crudely painted to a degree that we wonder only that anything delicate or sensitive, or even interesting, could come from the same hand. How strange and unbiddable art is.

Cherkassky

FESTIVAL HALL

Now sidling into his seventy-eighth year, the pianist Shura Cherkassky remains a serenely indefatigable virtuoso of the keyboard and of the imagination. There is no sign that he is narrowing his vast repertoire, nor any prospect of his hecoming content (like most venerable performers) to recycle his favourite pieces in his preferred ways, for Cherkassky's preferred way with almost any music is to treat it differently from last time round. Perhaps that explained the peculiarly vapid programme-notes we got for his recital on Sunday: the most conscientiously considered description of almost any piece is liahle to he snhverted hy Cherkassky from the platform.

That leaves critics as much at a loss as note-writers. What especially delighted or, possibly, dismayed you about what he did this time may never be repeated. The only certainty is that there will always be some superlative piano-playing (with the odd finger-slip – it's never machine-toolad), that he will light up fresh details or whole pieces in unforeseen ways as the mood takes him, and that the instrument will again hecome a repository of amazing sound-possibilities. To *disagree* with something he did in a particular concert would be not only officious, hut quite beside the point.

This time he reviewed some standard Beethoven (the E-flat sonata op. 27 no. 1), Schumann (the *Etudes symphoniques*, without the now-fashionahle extra variations) and Chopin (the four Impromptus and the F minor Fantasy). There was also Liszt's "Réminiscences de Don Juan" – a Cherkassky party-piece, but ever new – and Copland's *El Salón México* in Bernstein's solo piano version. The latter was cheerfully hrazen and hard-edged; elsewhere the Cherkassky imagination was chiefly and intricately engaged hy individual sections or variations, throwing off from time a time a flight of pearly brilliance.

As wholes neither Beethoven's continuous "sonata quasi una fantasia," addressed with pawky simplicity, nor the Schumann – a feast of musicianly insights – made any great cumulative effect. (Since the standard thing to do with Schumann's finale is to drive straight through it, Cherkassky separated it delicately into fascinating parts.) Chopin's sectional Fantasy did make a limpid whola, thoughtfully explored, and each of the Impromptus was realised in exquisitely varied chiaroscuro. Cherkassky's treatment of the *Don Giovanni* fantasy grows ever more fitful, pianistically rich and strange.

David Murray

Borodin Quartet

QUEEN ELIZABETH HALL

The Borodin Quartet's recital on Sunday afternoon brought two immediate surprises. The first, that the hall was not absolutely full, could perhaps be explained by the cancellation at the very last minute of the group's previons South Bank appearance a week earlier, and hy the programme of Debussy and Ravel which lay outside what has to come to be regarded as quintessential Borodin territory. The second, altogether more pleasing, was the thrill of hearing once again, encapsulated in the very first chord, the perfectly focussed sound. It is as personal and instantly attributable as that of any other great string quartet and seems no less exciting or extraordinary for being expected.

How keenly anyone responded to the Borodin's Dehussy and Ravel would entirely depend on one's willingness to trade immaculate execution for the occasional lack of instinctive response to the idiom. Certainly the Wagnerian impressions of Dehussy's Quartet found a closer correspondence with this suave, well-rounded sound world than the more thoroughly Gallic textures of Ravel, where a sometimes strait-laced rhythmic sense and fulsome phrasing of melodies made the music less huoyant than it can seem with leaner, more wayward treatment. Bnt quartets that intellectually might be more Francophone are unlikely to have managed the close of Debussy's scherzo with such finesse that the music appeared to evaporate before one's ears, threaded the solos for viola or muted cello through his slow movement with such understated eloquence or weighed pizzicato against *orco* textures in the Ravel so unerringly.

In Stravinsky's Three Pieces the vivid rendering of every nuance gave these extraordinary inventions a potency that belied their miniscule proportions. When taken at absolute face value and not tamed into anecdotal character pieces they become as unprecedented and disquieting as *The Rite of Spring*, a miniaturised revolution all on their own. No "interpretation" is required; perfect rendering, as the Borodin recognised, achieves all that is necessary.

Andrew Clements

Sinopoli

FESTIVAL HALL

On Sunday Giuseppe Sinopoli conducted the Philharmonia Orchestra and Chorus in a concert of Italian music – Verdi and Respighi before the interval, Rossini after it. It was a concert of first-rate playing and singing: the orchestra sounded on top form throughout the evening, and in the Rossini *Stabat mater* the chorus (trained by Horst Neumann) woke memories of its palmiest Wilhelm Pitz days.

Words of praise for this conductor are uncommon in these columns, but the Rossini performance, at least, provided an occasion for using them lavishly. There was an air of commitment about it, a determination to show Rossini at his grandest, that was very winning. The music flowed, unhindered by the fussy extrapolation of detail, fiddling with pace and phrasing, and preference for alternating extremes of loud and soft that can make Sinopoli's readings of Verdi and Puccini operas so horribly mannered.

(We had a reminder of this Sinopoli throughout Verdi's *Vêpres siciliennes* Overture and in the closing stages of Respighi's *Pines of Rome*, though the orchestra executed his ideas with such panache that in both works the effect of vulgarity was redeemed by undeniable excitement.)

The marbled severity of Rossini's mature liturgical music is veined with lyrical warmth (sometime called "operatic" by those Northern puritans who disapprove of the combination). Here, the balance between the styles and forms of the component movements was struck with single-minded devotion: whether in the nobly Verdi-predicting choral movements or the wonderfully poised use of solo quartet, the work held together as one of the 19th century choral masterpieces.

On paper the choice of solo singers looked curious – two Italians for top and bottom parts, two Scandinavians in the middle. In practice, the casting worked.

Peter Lindroos, the tenor, is not a Rossini stylist, but the voice was in good shape and the notea were honestly sounded. Katia Ricciarelli sang some phrases with melting eloquence, and others in rather more hit-and-miss fashion; as ever with this soprano, the "personal" quality is what lasted longest in the memory. "Fac ut portem," most beautiful of all the solo movements, requires a rich-toned alto; Anne Sofie von Otter brought to it a light mezzo of ravishing beauty.

The bass, Simone Alaimo (who made an unscheduled single appearance in last year's Covent Garden *Italiana*), was ideal in weight, tone-colour, style: we must hear a great deal more of him.

Max Loppert

Six Characters in Search of an Author

MERCAT DE LES FLORS, BARCELONA

Last July, on this page, Anthony Curtis reported from the Avignon Festival on a remarkable Russian revival by Anatoly Vassiliev of Pirandello's *Six Characters in Search of an Author*.

The production has been playing for several performances in Barcelona's flower market on Montjuich Mountain, one of several civic temples built for the World's Fair of 1929. It seemed entirely appropriate that Vassiliev's shattering and revolutionary reappraisal of one of the century's seminal theatre works should be given in a venue first reclaimed as a performance space by Peter Brook.

Vassiliev's itinerant troupe visited our own Riverside Studios two years ago, as part of the LIFT Festival, with a hyper-realist Chekhovian spectacular, *Cerceau*. That show was born under the wing of Lyubimov's Taganka Theatre, hut since Lyubimov's defection, the company, mostly drawn from Vassiliev's classes at the School of Dramatic Art in Moscow, has travelled with Pirandello.

Barcelona was the 20th port of call in two years. This week the company has been in Palermo, next week on to Prato. The important news for Londoners is that *Six Characters* will be coming to LIFT this summer, and plans are well advanced to install it in the Brixton Academy for most of July.

As Anthony Curtis said, the performance is a deconstruction of the text, suggesting a parity between the father and the theatre director. But all the roles of the acting company and the visiting family are confused and exchanged in a super-charged babel beneath a blazing white gauze canopy, many of the audience sitting in chairs on the acting area.

The atmosphere is light, vaudevillian, with actors in pork pie hats and pastel-coloured jackets, silk veils and soft dresses. Igor Popov's design makes cunning use of a diagonal white traverse curtain and the distant back-cloth of the third act classical garden.

The actors speak a mixture of Russian and Italian. There is nothing awkward or forced in this. Raymond Williams once averred that Pirandello's play is about two levels of artifice. But Vassiliev, playing a whole new game with illusion, uses the text solely as a pretext for an experiment in realism.

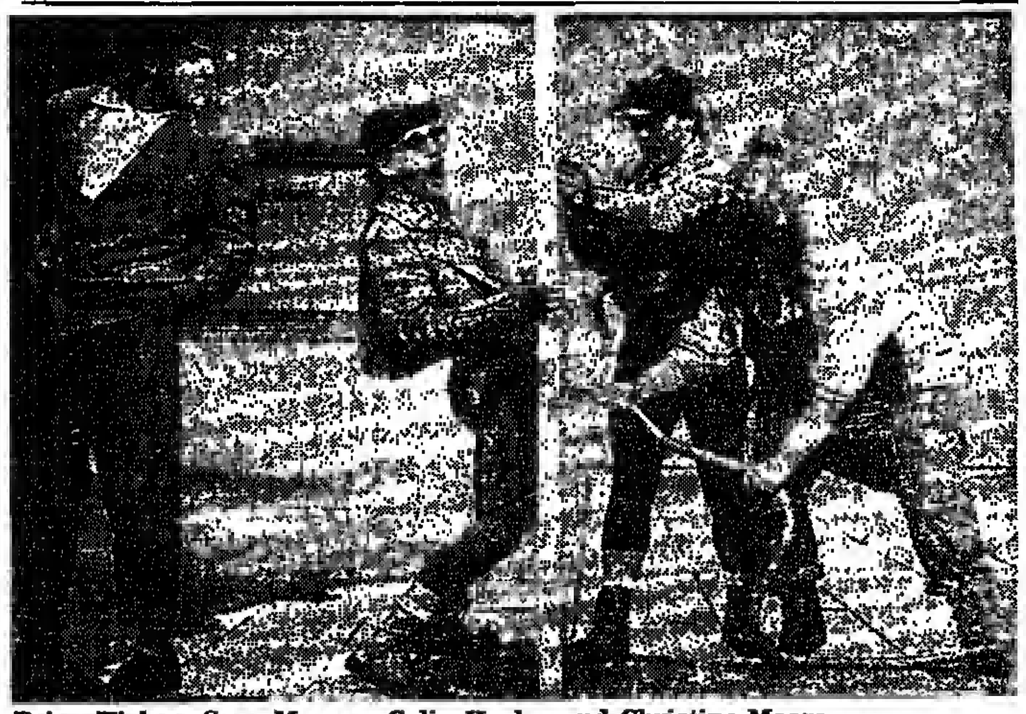
Every single moment, every speech, is imbued with a throb of actuality, of "this happens now." It is an extraordinary sensation to be enmeshed in this process while also immersed in the comforting nostalgia of an omnipresent jazz soundtrack and the live playing of a Chopin waltz.

The most pervasive music, however, is the insidious Spanish love song, "Besa me mucho." In Pirandello's second act we learn of the father's sexual obsession with his step-daughter. Vassiliev brings the actors among the audience, obliterates the fourth wall, and creates a wonderfully innocent hut dangerous integration of flirtatious performers and flattered customers.

When the brakes are slammed on, and the audience brutally excluded from the social exchanges, the consequences are truly electrifying. The chief victim is Natalya Kolyakanova's brilliant and tragic step-daughter, whose life line is broken. Abused and violated by a thuggish manipulator (Nikolay Tchindiaykine), she is left stripped and battered, walled up once more in a fiction, the reality of her predicament made more, not less, unbearable through art. Other actors shuffle through a barren hut hilarious rehearsal.

The third act is composed on stark geometrical lines, as if admitting that the fluid nonchalance of the first act and the all-out extremism of the second can lead only to such savage compromise. This is theatre as it should be, moving, truthful, profound, physical, jocose, serious, witty, disturbing, unforgettable.

Michael Coveney



Brian Hickey, Sean Murray, Colin Hurley and Christine Moore

The Comedy of Errors

THEATRE ROYAL, BRISTOL

You don't often see such a splendid audience at a Shakespeare play, such a happy preponderance of the young, in their late teens and early twenties. "Is it a set book?" I heard someone ask. *The Comedy of Errors* may be Shakespeare, hut it's no material for a set book. When yon've had tha jokes about the two sets of twins, what else is there? Well, at Bristol, there is Phyllida Lloyd's direction.

We see from the start that affairs will not be conventional. Unhappy Egeon (Stephen Ley), likely to be executed for landing in Ephesus unless he can find 1000 marks, stands against a hlack cloth with his head under a spot while a babhle of electronic gossip sounds behind him. When the Duke has heard his case, he takes a flick-knife from his cloak and cuts his bonds to set him temporarily free. Then, in a sudden hlaze of light, the scarlet-clad citizens of Ephesus perform a kind of round dance to represent the common people.

This a good time to examine Anthony Ward's set, where floorhoards and chairs may appear on the walls or the ceiling, a clouded hlue sky covers much of the floor, and doors and other means of access are set in sundry odd places. One door high up opens a couple of times to reveal a character upside-down. It is clear that we aren't to follow the rule that in farce the people and events must be credible.

Shakespeare's people and events *are* credihle, but the Bristol company prefers to play for visual laughs than verbal. I resented this at first, and tried listening to the lines without watching the action, hut not for long, for there was so much fun to be seen. The playing on the whole is as good as the play needs. I particularly enjoyed the encounter between Antipholus (Brian Hickey) and the goldsmith (Gary Yershon), where dialogue really took over until the two of them ended up handcuffed to the officer. I loved Luciana (Caroline Loncq) and Adriana (Rosie Rowell, who makes her first appearance in an imaginary swimming-pool).

Joke entrances and exits ahound, through a wall, through a floor, wherever. At one moment the action suddenly stops, and Bach's so-called *Air on the G* string temporarily replaces tha dialogue. But the play, rather than the comic husiness, comes to life – sort of – when the Ahhess (Christine Moore, who has also been fat old Nll) comes from her abbey with the line "Most mighty duke, behold a man much wronged," and produces the Ephesus Antipholus to face the Syracusan (Owen Teale). The long-delayed meeting of alternatives is always effective, and here we had actual emotion at last, amplified by the Bard's unforgivahle romance of marrying off the Abbess and Egeus.

With all four twins united, Egeus bailed, the ladies satisfied, the goldsmith paid, all dehts redeemed, nothing is left hut universal content. Off they all go hy a narrow exit upstage, not quite wide enough for two Dromios together, as they would like it. They have to turn sideways, hut together it is. Which will be saddled with Nell we shall never know.

B.A. Young

Chinese exhibition at the Theatre Museum

An exhibition of costumes, masks, props and musical instruments from China opens at the Theatre Museum on February 23.

A number of Chinese Shadow Puppet images will be shown and there will he a week of films in the Museum's Studio Theatre from March 7-11.

Stage Secrets of the Chinese Opera is presented in association with the Chinese Cultural Centre, and is seen in this country for the first time. It coincides with the London season given by the Canton Opera at Sadler's Wells Theatre, which opens tonight.

ARTS GUIDE

February 17-23

OPERA AND BALLET

London

Royal Opera, Covent Garden. The long-awaited London production of Luciano Berio's *Un re in ascolto* is one of the Royal Opera's greatest triumphs in recent times, a dazzling kaleidoscope of sounds, themes, and dramatic visions brilliantly staged by Graham Vick. Stephen Harrap takes over as conductor, and the superb cast includes Donald McIntyre, Robert Tear, Kathryn Harries.
English National Opera, Coliseum. the first-ever Coliseum *Falstaff* is by the "home-team" of Mark Elder (conductor) and David Pountney (producer). Benjamin Luxon takes Verdi's title role, and the cast also includes Malcolm Donnelly, Janice Cairns, and Anne Collins. Further performances of Bizet's uneven but lovably fresh and tuneful *Pearl Fishers*, with Cathryn Pope Arthur Davies, and Alan Opie; final ones of Aribert Reimann's dry, noisily violent Shakespeare adaptation, *Lear*, with Monte Jaffe in the title role at the head of a uniformly impressive cast.
Royal Opera House, Sadler's Wells Royal Ballet presents David Bintley's new *Hobson's Choice*.
Sadler's Wells Theatre. The adventurous Ballet Gulbenkian from Portugal arrives at Sadler's Wells for a season which began on Feb 14.

Paris

Théâtre des Champs Elysées. *La Sonnambula*, a new production in co-operation between the Théâtre des Champs Elysées, Welsh National Opera, Grand Théâtre de Nancy and Théâtre de Lausanne. (47203637).
Opéra. *Die Meistersinger Von Nürnberg* alternates with the *Spectacle de Ballets* choreographed by Balanchine, Massine and Twyla Tharp to music by Hindemith, Tchaikovsky, Haydn and Bach, respectively (47425371, information in three languages 47425750).

Brussels

Théâtre Royal de la Monnaie. Parsifal by Richard Wagner with Jose Van Dam/Tom Krause as Amfortas, Harald Stamm as Gurnemanz, Livia Budai as Kundry, Jules Bastin as Titurel. Orchestra and Chorus of the Monnaie conducted hy Sylvain Cambreling, production by Peter Mussbach (Wed).
Nouveau Théâtre de Belgique. Il Matrimonio Segreto by Cimarosa performed by the Andante Theatre (Thurs) (513 4587)

Vienna

Volksoper. In repertory: *Kiss me Kate*, conducted by Herbert Mogg; *Don Giovanni*, conducted by Konrad Leitner; *Tiefland* conducted by Konrad Leitner; *Cosi Fan Tutte* conducted by Herbert Leitner; *Hoffmanns Erzählungen* conducted by Franz Bauer-Theussl; *Der Zigeunerbaron* conducted by Rudolf Bibl.(Tel: 51444. ext. 2662.)

Berlin

Opera. *Der Liebestrank* is revived with a star cast led by Lucia Aliberti, Richard Leech, Ingvar Wixell and Roland Opanerai. *Turandot* in Götz Friedrich's production with Giamma Dale making her debut as Liu, Linda Kelm in the title role, Corneliu Margu (Kalaf) and Martti Talvela (Timur). *Lady Macbeth von Mzensk* returns with Karan Armstrong, Kathryn Montgomery-Meissner, Ute Walther and David Griffith. *Notre-Dame de Paris* has wonderful Roland Petit choreography.

Hamburg

Opera. *Ariadne auf Naxos* has a first-rate cast including Hellen Kwon, Anna Tomowa-Sintow, Klaus Koenig and Dieter Weller. *Die verkaufte Braut* is a well-done repertoire performance with Joanna Borowska, Hans-Otto Klose, Elisabeth Steiner and Kurt Moll. Also in repertory: Jean-Pierre Ponnelle's wholly delightful production of *Don Carlos* with Sharon Sweet as Elisabeth, Dunja Vejzovic as Eboli, Giuliano Cianella in the title role and Mario Di Marco as Posa.

Cologne

Opera. *Lohengrin* has fine interpretations by Nadine Secunde, Eva Randova, Ekkehard Wlaschiha, Eberhard Buechner and Kurt Moll. *Die Fledermaus* features Josef Protschka; Gabriele Fontana, Daphne Evangelatos and is conducted by Georg Fischer.

Frankfurt

Opera. The two Lievi brothers had a most successful opera debut with *Titus*, which opened last week. Cesare Lievi's production and Daniele Lievi's sets supported the wonderful singing of Keith Lewis in the title role, Helena Doese as Vitellia, Pia-Marie Nielsson as Servilia, Alicia Nafe as Sesto, Man Gregory Jurisich as Publio and conducted by the musical director Gary Bertini. *Otello* with Clarry Batha, William Cochran, Heinz Meyen and Manfred Schenk. *Fidelio* features Luana Delvol, Herman Winkler, Wolfgang Probst, Susan Roberts and Manfred Schenk.

Stuttgart

Opera. *Otello* brings Gabriela Benackova-Cap, Amedeoz Amborn and Carmen Mammoser together. *Die Entführung aus dem Serail* has Tomoko Nakamura, Janice Hall, Yasuko Kozaki and Ruediger Wohlers. *Onegin*, choreographed by the late John Cranko, and *Dornröschen* by Marcia Haydee round off the week.

Amsterdam

Muziektheater. The Netherlands Opera production of Berlioz' *La Damnation de Faust* is directed hy Harry Kupfer. Hartmut Haenchen conducts the Rotterdam Philharmonic, with Hedwig Fassbender as Marguerite, Jean-Philippe Lafont as Mephistopheles, Barry McCauley as Faust (Sun matinee, Tue).
National Ballet presents the world premiere of a new ballet by Maguy Marin, *Corps* (Van Manen/Berg), and *No-Man's-Land* (Van Dantzig/Smit) (Mon, Wed, Thur) (255 455).

Rome

Teatro del l'Opera. Francesca Zambello's neo-classical production of Cimarosa's *Gli Orazi ei Curiazi* with scenery and costumes inspired by the painter David. Alan Curtis conducts a young cast which includes Anna Caterina Antonacci and Gianna Rolandi as the ill-starred lovers (Sat) and the first performance of a new opera, *Charlotte Corday* by the young Torinese composer, Lorenzo Ferrero (Tues, Thur). The cast includes Elena Mauti Nunziata, Roberto Scandiuzzi and Antonio Salvadori; conductor is by Roberto Abbado. (46.17.55)

Milan

Teatro alla Scala. A revival of Piero Faggioni's 1974production of Puccini's *Tosca*, with scenery and costumes by Nicola Benois. Ghena Dimitrova and Maria Guleghina alternate in the title role, Veriano Luchetti and Alberto Cupido alternating as Cavaradossi and Juan Pons and Piero Cappuccilli as Scarpia, conducted by Tiziano Severini (Fri, Sat, Sun) (86.91.26).

Naples

Teatro San Carlo. Umberto Giordano's *Fedora* conducted by Pierluigi Urbini, with Florenza Cossotto, Lucietta Bizzi and Nunzio Todisco (Sat, Tues). Puccini's *Madame Butterfly* in Mauro Bolognini's production, with Olivia Stapp (alternating with Elena Mauti Nunziata) and Eleonora Jankovitch, conducted by Bruno Moretti (Sun) (79.72.412).

New York

Metropolitan Opera House, Lincoln Center. Eva Marton has the title role in the premiere of *Salome*, directed by Nikolaus Lehnhoff and conducted by Marek Janowski, with Helga Dernesch as Herodias and Neil Rosenshein as Narraboth. David Stivender conducts *Idomeneo* with Carol Vaness as Elettra, Frederica von Stade as Idamante and Siegfried Jerusalem in the title role. In the last performances of *Bluebeard's Castle*, Jessye Norman sings Judith opposite Samuel Ramey in the title role. James Levine conducts, along with the monodrama *Erwartung* where Jessye Norman sings the Woman. James Levine also conducts the last performances of *Don Carlo* with Neil Shicoff in the title role, Margaret Price as Elisabetta, and Maria Luisa Nave as Eboli. (362 6000).

Washington

Washington Ballet, Lisner Auditorium. Performances of *Birds of Paradise*, *Apollo* and *A Night at the Ballet* (Thur) (432 0200).

Chicago

Chicago Repertory Dance Ensemble, Civic Theatre. Author Flannery O'Connor, raucous parties and bad dreams are among the inspirations of this popular local dance group whose members choreograph their own works. (902 1500).

Tokyo

Tokyo Philharmonic Orchestra plays *La Forza del Destino*, performed in Italian by an all-Japanese cast. (Tues, Wed) (370 6441).

FINANCIAL TIMES

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Tuesday February 21 1989

Standing up to Iran

THE DECISION taken yesterday by the 12 European Community foreign ministers to recall their top diplomats from Iran is a welcome indication that the outrage felt in Britain at Ayatollah Khomeini's "death sentence" on the Indian-born British author, Mr Salman Rushdie, is shared throughout Western Europe.

Whatever the sympathy felt by members of other faiths for Moslems who considered themselves insulted by Mr Rushdie's novel, The Satanic Verses, there could be no possible justification in Western eyes for such an extreme and illegal measure. In the Western world people are not sentenced to death, or indeed to any other punishment, without a proper trial. Even in those Western countries, such as Britain, where blasphemy as a punishable offence is still on the statute book, it has become virtually a dead letter and is widely felt to be an anachronism.

Laws against incitement

There are laws against incitement to racial and religious hatred, and against conduct likely to provoke a breach of the peace. Had Mr Rushdie distributed leaflets denouncing Moslems as bloodthirsty fanatics and urging non-Moslems to measures of self-defence, or paraded outside a mosque with a banner reading "Down with Mohammed," he would no doubt have fallen foul of those laws. But he has done nothing of the sort. He has written a novel which can be read as a mildly obscene parody of the origins of Islam. That was a provocative thing to do, but then writers in the Western liberal tradition are expected to be provocative.

Objectively the novel is no more offensive to Moslems than the film, The Last Temptation of Christ, was to many Christians. Perhaps Moslems are more easily offended than Christians – a subjective consideration. If so, Moslems who wish to live in a modern Western country have no choice but to learn a little Christian forbearance. They cannot reasonably expect such a country to enforce their prejudices on the rest of its inhabitants; still less to allow them to use violence to take the law into their own hands.

What is certainly intolerable to any country is that its own citizens, going peaceably about their lawful business in their own country, should be subjected to the arbitrary judgments of the leader of a foreign state with entirely different traditions. Whatever may be the extent of the authority of the *faqih* under Islamic law as currently practised in Iran, it certainly does not extend beyond the borders of that state in international law. Any state which makes such claims and publicly orders the killing of citizens of other states outside its own territory, is effectively declaring war not only on the home country of those citizens but on any other state where that act of murder might be perpetrated. And by threatening such murder as "punishment" for the publication of a book, Iran is interfering directly with freedom of expression in any and every country where the book is, or might be, published.

It would therefore be quite wrong for anyone to see this affair as a matter purely between Britain and Iran. It is heartening that Britain's European partners have not seen it that way. They have correctly understood that the threat affects them all and demands a collective response. It must be hoped that other free countries with diplomatic representation in Iran will join in this response. Perhaps in this age of "new thinking" it is not even too much to hope that the Soviet Union would also wish to be associated with it.

Appropriate symbol

The withdrawal of heads of mission is an appropriate symbolic move to make at this stage. Britain itself has already gone further with the decision to withdraw all its diplomats. But what is crucial, if the pressure is to be effective, is that Iran should be denied whatever help it looks for from Western countries – arms sales, credit, diplomatic support against Iraq – until it is unequivocally willing to fall in line with the norms of international behaviour and respect the sovereignty of other states.

Mr Clarke's health reforms

MR KENNETH CLARKE, the British Health Secretary, may never have read the pre-war writings of socialist economists such as Oskar Lange. Such scholars felt certain that capitalist means could be deployed to achieve socialist ends. They wanted the state to be all-powerful but to improve its allocative efficiency through the carefully controlled use of market forces. Mr Clarke seems to be trying to do something similar in health care.

Takeover or bankruptcy

In a real-world market, people spend their own money on goods supplied by profit-maximising companies, which face takeover or bankruptcy if they are inefficient. In Mr Clarke's proposed health care market, almost all the money will be supplied by central government. Final consumers (patients) will have no direct purchasing power. Decisions will be taken on their behalf by a range of institutions which will be expected to compete – but not to maximise profit – and which will enjoy near total protection from bankruptcy.

Such a market may well be more efficient than the NHS as presently constituted. But this is not a foregone conclusion. The inability of consumers directly to express preferences or to influence the total size of the market (which will depend on political decisions about health care expenditure), coupled with the assumed absence of profit maximising on the part of producers, means that none of the normal optimality properties of markets will necessarily apply. Yet many costs are certain to rise.

The NHS's present administrative costs are among the lowest of any health service precisely because elaborate pricing and invoicing mechanisms are not used. Money is allocated to regions and districts on the basis of expected health needs. Patients are then treated as and when they appear. Money does not change hands. Under the new arrangements, however, invoices will be flying in all directions. NHS Hospital Trusts (opted out hospitals), districts and budget-holding general practitioners will be billing each other and the private sector for services rendered.

Conflicts of interest are already obvious even at this early stage. The Government, for example, does not want people to think budget-holding GPs will have an incentive to economise on treatment. It is therefore ruling that they should not be able to benefit personally from any surpluses generated. These must be ploughed back into the practice. Yet GPs own shares in their practices which can be sold on retirement: it will thus be impossible to prevent financial considerations clouding clinical judgments.

Similar considerations will apply to NHS Hospital Trusts. Mr Clarke was at pains yesterday to emphasise that they will not be commercial organisations. The only resemblance between the trusts and private hospitals, he said, will be that both will contain doctors and patients. Complex contracts between the trusts and district health authorities will ensure the former fulfil all their community obligations and do not opt increasingly to specialise in particularly lucrative forms of surgery and general medicine.

Influence of profits

Such promises on Mr Clarke's part are admirable. But sceptics must wonder whether he quite understands the nature of the commercial genie which he is unleashing. In the future, family doctors will hold annual budgets of perhaps £1m and employ accountants to run their financial affairs. Hospital Trusts will be as large as medium-size companies and have "backrooms" for processing invoices comparable to those of stockbrokers. It scarcely seems feasible in such circumstances to pretend that the lure of profits – even if they are not declared as such – will not exert a powerful influence.

The pre-war "market socialists" were almost certainly deluded in thinking that the virtues and vices of capitalism could be separated. Markets have a way of imposing their own priorities on participants. Mr Clarke has reiterated his commitment to a tax-financed health service, but the recent reforms may well create irresistible pressures – on the part of both hospitals and GPs – for partial or complete privatisation of health care.

William Hall examines the future for Short Brothers and Harland and Wolff

Privatising Belfast's heart

In the space of three weeks last summer the UK Government quietly put up for sale the three biggest companies in Northern Ireland – Short Brothers, Northern Ireland Electricity (NIE) and Harland and Wolff. By comparison with other privatisations this was small beer: the three companies boast a combined annual turnover of less than £600m and a workforce of 16,000. Yet in terms of its impact on the delicate Northern Irish economy, it was the equivalent of announcing the sale of British Telecom, Rolls-Royce and British Gas at the same time.

The decision to sell the best-known symbols of the local economy looks, to many people in the province, suspiciously like a fire sale. The exercise could prove almost as politically embarrassing for the Government as the proposed sale of the mainland's water industry. The combination of a hasty and – to many eyes – ill thought-out set of decisions, an inexperienced minister and a civil service department with no direct experience of privatisation, could deliver some nasty surprises.

The subsequent delay in the sale of NIE – the only profitable company of the three – has taken some of the pressure off the ministry primarily responsible, tha Northern Ireland Department of Economic Development. But it has not allayed the uncertainty, or silenced the complaints. They will surface again on Thursday, when a select committee of the House of Commons is due to publish a report on the subject and leaders of Northern Ireland's main parties will meet the Prime Minister to express their concern in a rare gesture of solidarity across sectarian lines.

Side by side in East Belfast: A Short Brothers aircraft flies over the Shorts factory and the Harland and Wolff shipyard

Meanwhile, the sale of the two other companies – bids for Shorts had to be in by last Friday, and a decision on Harlands is imminent – is proving to be a complex task. Shorts and Harlands sit side by side in the heart of Protestant East Belfast. They provide almost one in five local manufacturing jobs in an area where male unemployment is almost three times the national average.

Shorts is an ailing aircraft company with a future that depends on a £500m project, the FJX commuter jet, which is little more than a twinkle in the designer's eye. Harlands is a shipyard which has almost run out of work. There is a real danger that the Government will not be able to secure the companies' long-term survival in the private sector. None the less, it is easy to understand the Government's desire to return both companies to private hands.

Since it took over Harland and Wolff in 1975, the Government has injected close to £500m of aid. The shipyard's workforce has fallen from 10,000 to under 3,000. Over the last couple of years the cost of keeping the yard open has been aronnd £15,000 per employee per annum – roughly three times as much as the cost of creating new manufacturing jobs locally.

By contrast, Shorts has not been a burden on the public purse. Ten years ago it was considerably smaller than Harlands; it is now considerably bigger. But its financial performance has been disappointing. Even in current buoyant trading conditions it is probably not making any money. Management has been slow to put its house in order – particularly in the area of financial controls – and it would benefit from private sector disciplines.

"There is a tendency to say that because Northern Ireland is different, the normal rules of economic gravity do not apply. That has been said for too long," comments Mr Peter Viggers, the Northern Ireland industry minister.

His critics argue, however, that the Government's rush to push both companies back into the private sector could destroy the supposed benefits of privatisation – such as higher investment and employment.

John Parker, one of Britain's most successful shipbuilders who was head-hunted to run Harland and Wolff 6 years ago, feels particularly bitter. Mr Viggers evokes a carefully thought-out plan to return the shipyard to the private sector. His critics believe, however, that it is more likely that the Government panicked when Harlands signed a "heads of agreement" last April to build the world's biggest cruise ship – the Ultimate Dream – for Mr Ravi Tikkoo.

The NIO is full of files on earlier grandiose ventures such as De Lorean and Learfan, which cost tha taxpayer dearly. The idea of Harlands getting a $500m order for four years of work gave ministers nightmares of yet more cost overruns.

So why not let Mr Tikkoo buy the shipyard? After all, in the past, shipowners such as Aristotle Onassis and Fred Olsen had tried to buy what is still one of best-equipped, most versatile shipyards in Europe.

But the Government was not prepared to give Mr Tikkoo enough money to take the yard off its hands. At the same time it prevented Harland from tendering for new work on the grounds that new orders "could be inconsistent with the shipbuilding plans of any new owners." This has led to a serious loss of morale and an exit of skilled workers and is making it hard to sell the yard as a going concern.

In the past, Harlands has demonstrated the ability to lose great sums of money on new building contracts. And there are good grounds for criticising the management of both companies – though Shorts, at least, has been starved of investment. John Parker argues, however, that the wise farmer fattens up his calf before taking it to market. In almost every privatisation on the mainland, the Government has tried to make the company look attractive.

In this case, say the Government's critics, the authorities seem to have been anxious in the early days to paint a poor picture of both companies. Rodney Lund, who took over as chairman of Shorts less than a year ago, was so incensed by one ministerial briefing to a national newspaper that he threatened to sue the minister responsible. Relations with the Government have been patched up since then but only because it has promised not to break up Shorts – a commitment it might find hard to fulfil if no single buyer is available.

Criticism of the Government's handling of the privatisation is not confined to people like John Parker and Peter Robinson, the local Democratic Unionist MP. The Northern Irish arm of the Confederation of British Industry has also been openly critical. Mr Noel Stewart, a senior partner in the Belfast office of Coopers & Lybrand, argues that it would have been more sensible to privatise Shorts first. Harlands, he says, should have been given a 2-3 year timetable leading to privatisation against which its performance could be judged.

Harland and Wolff

	Turnover (£m)	Profit & loss(£m)
1984	85.9	(19.8)
1985	59.1	(27.9)
1986	81.5	(24.6)
1987	78.1	(30.3)
1988	67.5	(42.9)

Short Brothers

	Turnover (£m)	Profit & loss(£m)
1984	163.0	5.4
1985	200.9	10.7
1986	200.0	(21.7)
1987	226.0	(0.1)
1988	191.9	(27.4)

The process poses several risks. At the political level, the Government has long since given np counting on Unionist support so the risk of further alienating the local community is not a particular problem. However, if Shorts has to shed perhaps 1,000 staff as it moves into the private sector, and if Harlands closes, the rise in unemployment could mean that East Belfast could come to rival West Belfast as a serious security problem. "You are talking of a lot of idle hands, and a lot of people who have things for idle hands to do," says Peter Robinson.

The implication – that out-of-work Protestants might turn their engineering skills to making sub-machine guns – is too melodramatic. The impact of closing Harlands now would be far less serious than when it employed over 30,000 people. Nevertheless, if Harland were to close, the province would lose one of its main training grounds for skilled workers. The shipyard's annual intake of apprentices has already dropped from 300 a year to 50.

Meanwhile, there is a fear that if Shorts does not remain an integrated aircraft manufacturer, more and more skilled graduates will leave the province in search of jobs. At the moment only a third of the company's work is subcontracting, but if this proportion rose as a result of privatisation, it could weaken the firm in the long term. There are plenty of defunct Northern Ireland companies to testify that subcontractors and subsidiaries are the first to be axed in a recession.

But perhaps the most immediate risk is that in its hurry to rid itself of these two companies, the Government may not be getting value for money. The Government has yet to disclose what sort of capital reconstructions it envisages but it is probably going to have to stump up over £1bn to have them taken off its hands. This would still be considerably less than the £2.5bn or so that the companies estimate it would cost to close them down – £2bn plus for Shorts and £300m for Harlands. So in principle, the Government has plenty of scope to offer suitors a suitable dowry.

However, whether the two companies can be packaged sufficiently attractively to find suitors is debatable. Harlands is rendered particularly unappetising hy the shiphuilding industry's chronic overcapacity; and without new orders, it has little more than a year's work left. Shorts is better placed, but selling it would not be straightforward. Demand for its existing aircraft is declining. Tha company's future is tied up with the new commuter jet, the FJX, a high-risk project on which needs a go-ahead decision by June if it is to have a hope of finding a market window. If Shorts is to have any chance of continuing as an aircraft manufacturer, the Government will have to persnade outside partners to pnt up much of the £500m needed for the FJX. As the decision is delayed on the FJX, Shorts' chances of continuing to make its own aircraft decrease.

The Government is under even more urgent pressure to decide whether to back a management and employee buy-out of Harlands or a rival offer from the management team of Bulk Transport Shipping. Both bidders are offering new work for the yard in the hope that this will tide it over until an upturn in the world shipbuilding industry materialises.

Tha Government faces a tricky decision: to back the existing management team which is supported by Fred Olsen; or (a cheaper option) to plump for the Bulk Transport Shipping team, a gronp of investors who have made a killing in the second-hand tanker market but have no experience of managing a shipyard. Two recent lessons – the closure of North East Shipbuilders, once the home of Britain's most successful shipyard, and Trafalgar House's unhappy experience with Scott Lithgow on the Clyde – are a reminder of the difficulties of interesting the private sector in a loss-making industry which is still largely state-controlled in the rest of the world.

As a result of the urgency with which decisions about the future of both companies must be taken, the Governmeot is caught in a cleft stick. If it is generous in order to assure a quick solution, then it could fall foul of the Public Accounts Committee and the European Commission's newly austere approach to industrial subsidies. However, if it does not act quickly and insists on a lengthy process of competing bids then it could severely damage the long-term prospects of both companies. This is not the sort of environment in which sensible commercial decision-making thrives.

Mosbacher's loose talk

■ Robert Mosbacher, the 61-year-old Texan oil millionaire who is the new US Commerce Secretary, has become the most qnotable member of the Bush Administration.

His latest pronouncement concerns the need to reward more fund-raisers and campaign contributors with political posts in Washington and ahroad. "We're not trying to foist off any second-grade dummies," he told the New York Times yesterday. "In truth, they are the most successful people in their communities."

Mosbacher, whose net worth is around $200m, speaks with some experience. As President Bush's chief fund-raiser last year, he raised more than $60m for the successful election campaign. Some of the contributors and fund-raisers have been given important posts, including ambassadorships to Europe, hut Mosbacher now says that "several hundred" fellow fund-raisers deserve appointments to ambassadorships, sub-Cabinet posts and other jobs.

This is not the first time Mosbacher, a champion yachtsman, has sailed into controversy. Last week, he demanded "a seat at the table" in the European Community talks on trade rules for the single market in 1992. And, in another newspaper interview, he argued for a delay in approval of the transfer of US technology to Japan for the FSX fighter project "because it is that hot a subject."

Conventional wisdom in Washington was that Mosbacher's wife, Georgette, a flaming redhead with a flair for low-cut dresses and fist-sized jewellery, would capture the beadlines. So far, she has been npstaged by ber busband shooting from the lip.

OBSERVER

FCO off beam

■ It seems that the British Foreign Office can do nothing right these days. A note has gone out to diplomatic correspondents about the forthcoming CFE (cooventional forces in Europe) talks in Vienna. It encloses the details which the Foreign Office says that it has received from the Australian authorities.

And while we're on the subject of the Foreign Office, it does seem a bit odd that a body whose diplomats spend much of their time criticising other Europeans (especially the Germans) for being feeble should have been so laggard in breaking off relations with Iran. When there is a threat to the free movement of culture, continental Europeans stand firm. Well done, Brussels.

Just Worcester

■ The trouble with Robert Worcester is that there is only one of him. Worcester is the chairman of MORI – Market & Opinion Research International – which celebrates its 20th anniversary this week. An American and a Democrat, he came to Britain initially on a four-year contract to help set it up. It soon began to work. Worcester's first client was the old Board of Trade, now the DTI. The first politician to seek his advice was Harold Wilson, then the Prime Minister.

As in most market research work, the political polling is only a small part of the whole, but it is the bit that catches the public eye. Worcester and MORI have continued to do that. What Worcester really needs, however, is somebody to stand up to him.

In America they do it all the time. The pollsters appear on the political programmes, slamming into each other with their conflicting findings, and very entertaining and informative it is. Here there is only Worcester. Somebody ought to give him a fight; he is a very pugnacious fellow.

Going on 50

■ The Commonwealth is moving towards its half-century: not in age, but in membership. There are at present 48 members and would have been 49, if Fiji had not departed. Now it looks as if Pakistan is preparing to return under Prime Minister Benazir Bhutto and the willingness of India to lift its veto. Also lining up to join is Namibia, so the 50 could come up at the Commonwealth Prime Ministers' conference in Malaysia in September.

Will that be the lot? The two countries with the right credentials to belong, but which chose to stay out, are Burma and South Yemen (formerly Aden). Tha two other countries which have left over the years are Ireland and South Africa. Winston Churchill once toyed with the idea of inviting Israel to join, but did not get very far. Yet in the present state of flux in international relations, perhaps it would be wrong to assume that the Commonwealth is reaching its limit. Developments in Southern Africa or even the Middle East could still produce more candidates.

Still Boardman

■ The world is not likely to be any the wiser by the end of today about the future of the chairman of the UK's largest bank, Lord Boardman of NatWest.

Although the bank's top people will be out in force for the announcement of the annual results at the top of NatWest's tower in the City, he will not be revealing whether he intends to stay on now that he is 70. That announcement will be made "in due course" in advance of the annual meeting in April.

Speculation has continued to swirl around Boardman's plans, although the combination of his own evident desire to continue, and the difficulties NatWest has had in finding a successor, means there is still more than an even chance he will stay on for another year.

And while NatWest has been hit by the losses at County, its investment banking arm, the uncertainty is less debilitating than it might be. That is because the NatWest chairmanship has traditionally been rather a figurehead post compared to other banks like Midland and Barclays. Thus change at the very top has less meaning. Still, the lack of decision cannot be doing the place much good.

Bad planning

■ Graffito on a poster on the Northern Line of the London Underground: "If God had meant us to travel in the rush bour, Ha would have made us much smaller."

LETTERS

Misconceptions about the water industry could lead to disappointments

From Mr J. Leigh Pemberton.

Sir, While on the subject of misconceptions, I cannot let all that Mr Bellak, the chairman of Severn-Trent Water, says (Letters, February 17) go without comment.

Customers of a statutory water company have been very effectively protected, *de facto* and, probably, *de jure*, against price increases. Moreover, it demonstrates a failure to understand the reality to suggest that these water companies have no incentive to be efficient.

All companies have managers and employees; one part of a manager's job is to motivate his/her staff to get the job done and within a reasonable cost. In the case of a statutory water company there is an additional very real motivation.

Over 90 per cent of the staff of a water company live and work in the area covered by the company's service, and his or her neighbours – all of them – are consumers of this service. I can think of no other product or service company where the individual (be that individual a pipe layer or a chief executive) is more conscious of, or more exposed to the market place. If a neighbour receives unwholesome water, or a shock in the form of increased charges, the employee of a water company does not have to wait to be told by head office.

This is why the crises of the strike in January 1983, the great freezes in 1986 and 1987, and the storms in 1988, produced stories of remarkable dedication by members of staff.

As the chief executive of a fully listed company I am well aware of the value of the profit motive. It is not, however, the only incentive to efficiency. If it were, where does it leave Mr Bellak's managers?

I am not asking to put the clock back and halt the march towards public limited company status because my colleagues and I are moving in that direction. What I am concerned about is that if Mr Bellak's misconceptions are at all general misconceptions – and you can find them mirrored in the reports of the Monopolies and Mergers Commission and in the white paper on the water industry – there will be anti-climaxes and disappointments following the conversion to plc status.

I believe companies will become more efficient, though with a new type of shareholder in a new investment environment this will not produce dramatic savings to the consumer, nor will it achieve this overnight. Mr Bellak may have missed a further point.

Statutory water companies have exercised their own form of competition. Taking the position nationally, they have competed with inflation and with their local water authority, and have generally kept their increases in charges below both.

The one unfortunate by-product of this historical restraint has been that, in common with most of the country's infrastructure, the water companies have under-invested. Many of us feel that we, as consumers, have been over-protected.

If control by commitment to the community and by limitation of dividend and reserves provides no protection to the consumer's pocket, how is it that it has been so effective?

J. Leigh Pemberton,
Chairman, The Mid Kent Water Company,
High Street,
Snodland, Kent.

Loyalty is longer term

From Mr J.D. Hewitt.

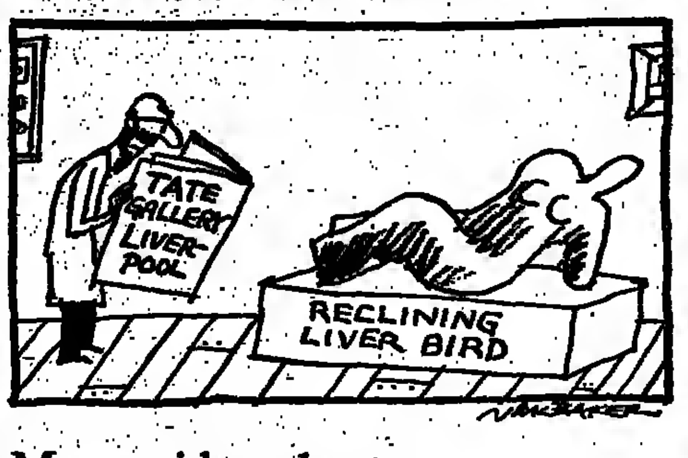
Sir, Andrew Taylor's article (February 1) about Mr Crooks of Trust House Forte and his regard for UK companies requires comment.

Perhaps if Mr Crooks were to take a leaf from his own companies' marketing strategy when dealing with contractors he would realise that by promoting a loyalty to THF from a comprehending supplier he may also develop a quality-aware and cost-conscious one.

Trust House Forte, through Mr Crooks (in common with most high purchasing power companies), constantly seeks to achieve the lowest capital cost on every project. Thus almost every project is undertaken by a new and – in terms of THF requirements – inexperienced contractor. Small wonder that, with no loyalty on either side of the contract, dissatisfaction reigns.

I suspect that Germans and Italians learned their skills by securing long-term contracts, making many mistakes in the early stages, and not repeating them with the same customer on future projects. But this is only possible with a degree of co-operation and planning between customer and supplier. If one judges and chooses on an *ad hoc* basis, an *ad hoc* result is what one achieves.

J.D. Hewitt,
Truce Heating Installation,
5c Manor Way,
Old Woking, Surrey



Merseyside unbeaten

From Mr Richard Francis.

Sir, I would like to put into context some of Deanna Petherbridge's points in her review of the Walker Art Gallery's new sculpture gallery (February 4).

The national museums and galleries on Merseyside did not "come up with plans to optimise their collections . . . following the establishment of the Tate of the North." Tate Gallery Liverpool (as it is called) was not established "primarily to house the Tate's sculptural holdings."

Our present display of 20th century British sculpture from the collection is simply the first of a projected series of long-term (three-year) large-scale survey shows designed to enable more people to become familiar with a part of the Tate's collection.

We are naturally delighted that the upper floors of the gallery are particularly well suited to sculpture, but this display occupies only one third of available gallery space. (The piece by David Mach in this display, *Thinking of England*, is not made from "booze bottles" but from sauce bottles.)

The format of our guide to sculpture on Merseyside does indeed "ensure that only the front half of equestrian statues fit," but as there are only two equestrian statues out of a total 71 sculptures illustrated, the loss cannot be counted as too great.

Anyway, the guide is intended to lead the reader to the real thing, not to act as a substitute. I fail to see why the three maps will not enable the reader to do just that.

Richard Francis,
Tate Gallery Liverpool,
Albert Dock, Liverpool

Mum is not the only word

From Mrs Caroline Barry.

Sir, Thank you for your articles, "Nanny may know best, but Mum's still the word" (Weekend FT, February 4).

The most heartening thing is that they are written mainly by fathers. It is gratifying to see men tackling these issues, and constructive to have them aired in the FT. I do not wish to decry the campaigning abilities of my own sex, but it is always helpful to hear voices which may ring louder bells in Whitehall, particularly on issues such as tax relief on the cost of childcare.

Caroline Barry,
Piccards Cottage,
Sandy Lane,
Guildford, Surrey.

Euro-vote exchange

From Mr Andrew Pearce MEP.

Sir, It appears from early skirmishes in the Euro-elections campaign that failure to join the EMS exchange rate mechanism is becoming an electoral disadvantage as well as a commercial one. Whatever the interests of the City, industrialists want stable exchange rates. There are many marginal votes in industrial areas if the Government shows regard for their interests.

Andrew Pearce,
30 Grange Road,
West Kirby, Wirral

Designed for change

From Mr Ivor Owen.

Sir, Mrs Kathy White (Letters, February 16) seeks to perpetuate the myth that the Design Centre shop in some way played a crucial role in promoting British exports. In fact it represented only a very narrow area of British industry – for example, no large furniture or domestic appliances, still less any capital goods. An independent survey that we commissioned showed that it was of little use except to a few very small companies.

The Design Council has now decided that it must target its limited resources on tackling two of the prime problems that face the British economy. The first, highlighted by the huge trade deficit in manufactured goods, is that too few companies are making products good enough to beat their foreign competitors either in increasingly sophisticated home markets or abroad. So the council's first task is to persuade and assist British industry to put product improvement at the centre of its strategy.

Second, we must tackle the lack of skills; this is holding back the product improvement process. This requires a big programme to improve the management of product design in industry, a campaign to upgrade the knowledge and skills of already qualified designers, especially in the engineering field; and work to ensure that enough high-calibre students are recruited and trained properly to meet the design challenges of the future.

The changes about which Mrs White complains fit in directly with these priorities. The space previously occupied by the Design Centre shop will shortly re-open as the UK's first permanent Young Designers Centre, encouraging students to consider design as a career, providing a resource for the teaching of design; and exposing the work of young designers to potential employers. And the resources saved by closing our heavily subsidised marketing services will help to strengthen the regional framework – essential if we are to help British industry improve its competitiveness.

Of course good marketing must go hand-in-hand with design. But the first priority must be to persuade British industry to get the generality of its products right. The best marketing in the world will not make a long-term success of a poor product.

Ivor Owen,
Director, The Design Council,
28 Haymarket, SW1

Pension rights and wrongs

From Mr Philip Chappell.

Sir, Mr Alan Smallbone (Letters, February 18) is absolutely right. But space did not permit me to point out (Letters, February 13) all the shortcomings of the Occupational Pensions Board's recent report and Mr Smallbone correctly shows the inadequacy of its thinking on full inflation-proofing for all past service.

There are many other such weaknesses. What is tragic is the limited public attention given to the OPB report. Once again the built-in complexity of present pension provision has discouraged wider discussion. Yet, for many people, pension rights are an asset more valuable than their house.

Mr Malone (Letters, February 18) is almost wholly wrong. Of course I have watched the way in which the experts of the pensions industry, kicking and screaming, have tried to adapt their product in response to public and political pressure. If only they had volunteered evolution instead of having had change dragged out of them. Improved communication with members is certainly important, but remains wholly inadequate for most funds.

Trying to graft money purchase on to final salary schemes is, however, like trying to cross a camel with a dinosaur; fast-moving, adaptable, climate-resistant animals would not mate easily with extinct beasts which were somnolent and needed enormous amounts of vegetation.

"Getting the advantages of each" (as Mr Malone asserts) gives even greater benefits to the rich, the married, the career-plodder, and the high-flying male at the expense – inevitably – of the poor, the single, the career-mobile and the female population.

Personal pensions have indeed been sold in large numbers, but mainly to refugees from Serps. With very few exceptions (all praise to Legal & General and others), employers have not been willing to make compensatory payments for those who wished to opt out of employer-managed occupational schemes.

The only equitable solution is the simple one: recognise pension costs as part of the individual's remuneration package on a deferred basis (as European law demands), ensure that "real people" understand what they are individually saving each year, and abolish the tax privileges for retirement savings.

Philip Chappell,
22 Frognal Lane, NW3

'The Bank did what it is supposed to do'

From Mr David Andrews.

Sir, David Lascelles's "An embarrassment for the Bank" (January 25) was unduly hard on the Bank of England. He argues that it should have used its influence to stop the purchase of Guinness Mahon going through at the time and that, consequently, Equiticorp's recent collapse must embarrass the Bank.

This proposition does seem to demonstrate the application of a more than usually well developed power of hindsight.

At the time of the takeover, Equiticorp's market capitalisation was about NZ$1.8bn, and by this measure it ranked among the top 10 companies in New Zealand. It was indeed highly leveraged, and had a reputation for aggressive growth. However, on the basis of the information available at the time, it is difficult to see what grounds the Bank would have had for bringing pressure to bear to prevent the takeover.

After the acquisition had taken place, the Bank did step in and direct Guinness Mahon that it should conduct no banking transactions with its parent. The hope must be that the bank's management would otherwise have taken this decision unbidden. However, the instruction from the Bank was prescient: when Equiticorp subsequently did collapse, Guinness Mahon had no exposure whatsoever to it. The bank will now doubtless be sold as a going concern.

Whatever roles those within or outside the supervisory section of a central bank may wish to thrust upon it, it should have two main aims: to maintain confidence in the banks under its supervision, and to protect depositors. The second aim is, of course, closely linked with the first.

Judged by its achievement of these two objectives, in this case the Bank did exactly what it was supposed to do. There is no risk of depositor loss as a result of Equiticorp's collapse, and no one can argue that confidence in the banking system of the UK has been dented.

Your article also raises the topical and rather modish concept of "contagion" – that is, the danger that a bank's viability may be infected by any problems of its non-bank owner. This leads to the view that it is also the function of a central bank to prevent this happening.

Judged by this criterion the Bank was also successful: as Equiticorp ran into difficulties, there must have been considerable pressure for the parent to attempt to obtain support from its bank subsidiary, yet this did not occur.

The Bank of England now has considerable legal powers. Indeed it is perhaps surprising that it has not already succumbed to some form of collective megalomania and run amok through the banking system. Your article criticises the Bank because it took no "immediate" action against Equiticorp in spite of its "obviously" deteriorating financial condition. What action should it have taken? The 1987 Banking Act gives the Bank the power to remove an owner of a UK bank who is no longer fit and proper, but it does not expand on the practicalities of such a move.

The reality is that the Bank is the Bank of England, not the policeman or the nanny of the world's economy. Market disciplines must be allied with regulatory control. Otherwise a central bank may be invested with every conceivable legal power, but lack the geographic and practical economic capability to exercise these powers. It is encouraging to note that David Lascelles seems to concede this point in his Lombard article (January 30).

The Guinness Mahon story should be regarded as a significant achievement as far as the Bank of England is concerned; it is certainly not an embarrassment.

David Andrews,
IBCA Banking Analysis,
2 Eldon Street, EC2

FOREIGN AFFAIRS

The end of an island mentality

Edward Mortimer looks at the questions which the Rushdie affair raises about British society

What are the "foreign affairs" to which this column is devoted? Should any affairs be foreign to a newspaper with international pretensions? Can foreign affairs really be separated from home affairs these days in any case?

The last question is especially pertinent this week. To which category does the Salman Rushdie affair belong? Clearly it has an international dimension, and poses very difficult problems of foreign policy. But it is also very much a domestic issue to those in Britain. In fact it poses absolutely fundamental questions about the type of society Britain has become, and the type of society Britain wants to be in the future.

To confine this week's column to the foreign policy aspects of the uproar about Salman Rushdie's novel would be to miss one of its most important lessons, which is that Britain is no longer an island. Nor is Europe for that matter. And nor is North America, though a slightly greater degree of insularity is still possible there.

By insularity I mean the ability of most people in a society to live their lives to blissful ignorance of, or at least indifference to, what is going on in the rest of the world. In theory, of course, the Second World War was supposed to have put an end to that. Even countries which at first appeared not to be directly targeted, like Britain and the US, were forced to recognise that their freedom would ultimately be threatened if aggressive and expansionist tyrannies were allowed a free hand in other parts of the world. Not only governments but the whole of society to most countries was caught up in the struggle.

Yet the lesson was not fully learnt, because the form of the war was rather conventional. States sent armies across frontiers. Other states sent armies to drive them back. Ideological struggles within states played a part, but became secondary once actual hostilities were in progress. Japan and Germany were seen as uniquely dangerous because their particular tyrannies were so crudely and straightforwardly aggressive and expansionist. A certain amount was said about putting an end to tyranny as such but, given that Stalin was on the winning side, that sort of rhetoric cannot have had much serious thought behind it.

And so the unwritten law of the post-war order has been that the world is divided into nations whose internal regimes are their own affair. Free peoples feel sorry for unfree ones, and indignant about atrocities committed by foreign governments. But they do not, usually, feel directly threatened in their own lives. Perhaps they did in the first post-war years, when a westward expansion of Stalin's tyranny seemed a real possibility. But few people in the West now seriously expect to find themselves living under that tyranny: either they have given up thinking of it as expansionist or they feel reasonably confident of Nato's ability to deter it. And as for "Third World" tyrannies, no one really imagines them acquiring sufficient military strength to be a direct threat to the "free world."

So our first, instinctive reaction, whenever we heard of barbarous goings-on in other parts of the world, was to think: "Thank God I live here and not there." Perhaps occasionally we remembered that people used to think like that in Lebanon and in Chile. But the fate of those "islands" of freedom and stability in unfree and unstable parts of the world did not seem directly relevant to our own.

Khomeini's regime inspired great loathing – but until now has not struck real fear in Western hearts

Even Khomeini's regime in Iran, though it has inspired plenty of loathing and disgust, has not until now struck real fear into Western hearts. We realised, and we deplored, that travel and residence in those parts had become riskier for foreigners than it used to be, even – perhaps especially – for those nominally enjoying diplomatic immunity. But we did not imagine it could affect our ordinary lives at home.

Terrorism has frightened us, of course, at least episodically. But up to now it has either threatened public figures for whom exposure to violence, and the consequent need to live behind an elaborate if discreet network of security precautions, could be seen as an occupational risk; or it has had a random character, rather like other disasters: you know it may happen, you hope the authorities are taking more effective measures to protect you against it, but on the whole the chances are against it happening to you personally.

With the Rushdie affair we enter a new category. We discover that Draconian restrictions imposed on freedom of expression by a faraway foreign despot may actually affect our own freedom to read and write as we see fit, because the religion and the culture to which he appeals are present and vigorous within our borders.

So far the reaction of Mr Rushdie himself and of his British and American publishers has been admirably robust: they have confined themselves to regretting the offence caused and have not let themselves be intimidated into withdrawing or censoring the book. But the reaction of the major bookselling chains in the US, and of publishers in France and West Germany, has been quite different. One cannot blame them, because the danger of violence and murder is real. Any manager is bound to ask himself whether he has the right to expose his staff to this kind of threat.

We find ourselves caught up in a religious war, a war of ideas but one in which, alas, ideas are far from being the only weapons, and one which takes little or no account of national frontiers. We discover that tens if not hundreds of thousands of British subjects, and millions of their co-religionists around the world, can be deeply offended and outraged by references which are not even comprehensible to the majority of British people. And they in turn discover – or perhaps they have not yet understood – that their reaction arouses no less passionate feelings of outrage in us, because it is equally offensive to our religion.

By "our religion" I do not mean Christianity. The Christian establishment is in fact very awkwardly placed in this affair: it disapproves strongly of incitement to murder but clearly feels some sympathy with the Moslem demand for censorship of "blasphemy." But Christianity is no longer the religion of this country in the sense that Islam is the religion of Iran. It is not Christianity that binds us together as a community, because we have long since given up trying to impose religious uniformity on ourselves or to exclude unbelievers and members of other faiths from full participation in our national life.

The religion of this country, and of the "free world" to which it belongs, is, precisely, freedom. Its founding fathers are Locke, Voltaire, Burke, Wilkes, Tom Paine; the authors of the American Constitution and of the Declaration des Droits de l'Homme. Unlike Iranians, we are brought up to think it primitive to fight over metaphysical beliefs, but to think of fighting for freedom as something admirable.

Of course, like other peoples, we practise this religion imperfectly, and not everyone takes it as seriously as do journalists, the self-appointed priests or mullahs of the cult. But the idea of sentencing a writer to death for what he wrote is just as offensive to modern Western sensibilities as the idea that Christ might have liked to make love to Mary Magdalene, or that the Prophet might occasionally have listened to Satan, is to traditional Christian or Moslem ones.

FINANCIAL TIMES
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French plan facing rough ride

Ian Davidson sees a shift from state control to private enterprise

THE NEW French national plan, which has just completed its first phase of elaboration, is expected to have a fairly rough ride when it is submitted in its final form to Parliament in mid-April.

Mr Lionel Stoleru, centrist Minister for the Plan, makes no bones about it. "I might have questions in the National Assembly from some of the Government's supporters who would tell me that it is not a Socialist Plan. Undoubtedly, there is a certain ideological discrepancy between the Socialist Party and that part of the Plan which accepts the case for reducing the level of taxation on capital. But there you are: this is a courageous programme by a Government conscious of its European commitments."

> For France Europe is not a constraint, but an ambition. W Germany and Britain may have different options - Germany can look East, Britain can look West; France has no other choice except Europe.

Undoubtedly, the Plan marks a clear shift in the balance of priorities from the state to private enterprise, and it explains clearly that France's strategic choices are being determined by the objective of the European single market.

The Plan promises that there will be no cutting back on the French social security system, but it also promises a steady reduction in the budget deficit every year.

The budget deficit problem will be aggravated by the need to reduce Value Added Tax and tax on savings, in the context of the single market. But the consequence of these budgetary constraints which will be most provocative to traditional Socialists, is the undertaking to make the public sector leaner, more flexible, more efficient, and more user-friendly.

"The objective," it says, "is to give the state by greater efficency what one can no longer ensure by taxation."

This is not the kind of language which appeals to trade unions in the public sector, which in the past have tended to be a central factor in the Socialist Party's grassroots support.

There are three particular novelties in the Plan now going through the works. The first is that it is a political, not a technocratic, document. Its predecessors, going back to the first Plan in 1946 of Jean Monnet, the distinguished European statesman sometimes referred to as "The Father of Europe," were all drawn up by teams of bureaucratic experts, and the government of the day only came into the act when the work was virtually done.

On this occasion, the original impulse for the Plan has come from the Government, under the direct supervision of Mr Michel Rocard, the Prime Minister, and ministers are continuing to be intimately involved at each stage of elaboration.

"There are two advantages of this method," says Mr Stoleru. "First, we have avoided the traditional cat-and-dog conflicts between the Ministry of the Plan and the Ministry of Finance: by definition, the views of Mr Pierre Bérégovoy, [the Finance Minister] are included in the Plan.

"Second, this is a political document which tells you the programme of the Government and what it will do; it is *their* Plan."

The second novelty is that this is the first Plan which defines France's future essentially in terms of its European destiny. The title tells the story: "La France, L'Europe: Le Plan 1989-1992."

"For France," says Mr Stoleru, "Europe is not a constraint, but an ambition. West Germany and Britain may have different options – Germany can look East, Britain can look West; but France has no other choice except Europe."

Obviously, this message is addressed mainly to the domestic French audience, because it lays out what the Government sees as the right priorities for meeting the European challenge. But Mr Stoleru hopes that it will also be keenly studied abroad, as an indication of the seriousness of Mr Michel Rocard's Government.

"The Plan is intended to spell out our determination to be a serious international partner, opposed to inflation and budgetary laxity, and committed to the discipline of the *European Community*. We hope that other countries will understand that we aim to ensure compatibility between domestic pressures and European requirements, between the demands of the hospital nurses and the stability of the franc."

> The Plan is intended to spell out our determination to be a serious international partner, opposed to inflation and budgetary laxity, and committed to the discipline of the European Community.

The third novelty of this Plan is that it is largely bare of precise targets or figured projections. This follows the recent trend, reflecting the fact that detailed targets which may have been useful 40 years ago as part of the work of post-war reconstruction, may be superfluous in a mature and sophisticated economy, and were wholly unreliable in the early 1980s when the first Socialist Government abruptly changed tack.

When the first outline of the Plan was published in September, it ran to 23 pages. After four months of further debate, in seven committees of experts, the document has grown three times as thick, and is probably close to its final form, barring any amendments which may be proposed by the Conseil Economique et Social next month, or by the National Assembly in April.

The redrafting appears to have introduced at least two significant changes. The first is that the new version has scaled back the the target economic growth rate (one of the few precise figures) required to contain unemployment.

Four months ago, the first draft said that an average rate of 2.5 per cent would be needed, since an extra 2m people were expected to join the labour force by the year 2000. *In the revised version*, the additions to the labour force have been recalculated at "nearly" 1.5m, and the average required growth rate is now put at 2-2.5 per cent.

The other novelty is the opening section, which lays out a review of France's advantages and disadvantages, the risks and the promises. The main dangers it identifies are the potential for instability in the world economy, growing social deprivation, and the rigidities in the French system.

The opportunities are the current recovery in the world economy, the progress of technology, the discipline of the single European market, the emergence of greater political consensus in France, and the growth of the enterprise mentality.

In summary, the document claims that a balanced view is "no longer one of Europessimism or disenchantment, but a reasonable optimism". Yet the terms used to describe the problems seem to convey a sense of structural anxiety. It predicts that the combination of Europe's weak demography and the pressure of would-be immigrants from outside, will threaten France's social cohesion. "The failure of the protecting state," it says, "would have the effect of changing the social and political equilibrium."

But France's most general handicap relates to its ability to adapt to change. "The French show a more and more open attitude towards change," it says, "but the rigidities of society are such that every change is often experienced as an aggression by our various institutions, every evolution like a crisis."

"Between now and the year 2000, France's problem will largely be how to overcome a certain backwardness in adaptation, to assess and then to treat the causes, in particular the rigidity of our society, with its blockages and its vested interests."

The bombed living quarters

IRA bombs barracks in mainland Britain

By Charles Hodgson in London

THE Irish Republican Army (IRA) struck deep into the heart of the Midlands of England yesterday when a bomb caused extensive damage to barracks of the Parachute Regiment at Shrewsbury, in the first attack on the mainland since August last year.

While authorities in London were reluctant to see the latest attack as the start of a new IRA bombing campaign, it followed repeated warnings both from British security forces and the Irish terrorist organisation that the strategy of hitting military targets in Britain – however "soft" – was still high on the list of priorities.

More than 50 troops of the regiment's 2nd battalion were evacuated minutes before a series of blasts at about 3.20 am, after sentries challenged two men inside the perimeter fence and raised the alarm. One soldier was slightly injured by flying glass. The sentries opened fire on the two terrorists, but they apparently escaped unharmed.

The bombing fits the now familiar pattern of IRA attacks, designed to remind the security forces, and above all the public, that Western Europe's most persistent terrorist group is still active and intent on striking at mainland targets.

The Parachute Regiment is reportedly preparing to return for a further tour of duty in Northern Ireland.

The prompt evacuation of the accommodation blocks at Tern Hill barracks, and the fact that many soldiers were on weekend leave, are credited with preventing far higher casualties.

The Shrewsbury attack comes after a period of unusual quiescence from the IRA since Christmas, in Northern Ireland, on mainland Britain and in continental Europe, after a spate of incidents last summer.

It follows repeated warnings from the Royal Ulster Constabulary and the Army that a fresh IRA terror campaign was on the way, backed by the substantial quantities of increasingly sophisticated weaponry and explosives thought to have been provided by Colonel Muammer Gadaffi of Libya.

There were suggestions from the police last night that the two men spotted planting the Shrewsbury bomb might be linked with the chance discovery of an IRA bomb-making factory in Clapham, south London, shortly before Christmas. Police discovered "substantial quantities" of Semtex, the powerful Czech-manufactured plastic explosive, thought to have been supplied by Libya.

Monday's bombing also fits in with a familiar IRA tactic of striking back after a series of apparent reversals. The security forces on both sides of the Irish border have recently made substantial finds of arms, ammunition and explosives. In the 12 months to January, 4.5 tonnes of explosives, 489 guns, more than 100,000 rounds of ammunition and 130 rockets and mortars were seized in Northern Ireland.

Mr Tom King, the Northern Ireland Secretary, made a particular point of praising the co-operation of Irish authorities on security at the recent round of Anglo-Irish talks in London.

THE LEX COLUMN

Minorco's spring offensive

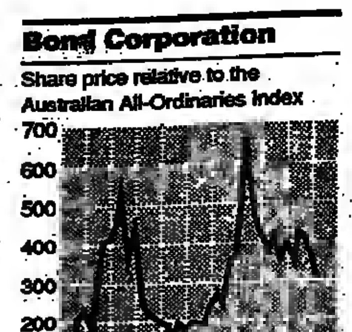
There was never much chance of a quick and bloodless solution to the battle for control of Consolidated Gold Fields, and yesterday's £14 per share offer from Minorco has pretty well ensured that it will not be over until early summer. Given that it is a reasonably simple affair – Minorco's South African parents desperately want to create another empire offshore, and Gold Fields knows it is the only realistic target – a swift resolution should be possible. However, Minorco's Anglo American parent has never been known for its generosity, and Minorco is convinced that it is in such a powerful position that it can afford to play for time.

Whatever Minorco says, the 8 per cent increase in its offer is a delaying tactic; but given the way the gold price and interest rates have been behaving lately, it should be enough to provoke a serious response from Gold Fields. In terms of Gold Fields' straightforward earnings of £108.4m last year, Minorco's £3.2bn offer is not ungenerous; and if Gold Fields really is going to say that its net asset value per share is between £16 and £20, then it has to admit to its shareholders that it has not been earning an anywhere near decent return on its assets.

That said, Minorco's position is not as strong as it might seem. Its peculiar love affair with Luxembourg and its unwillingness to contemplate a straight cash offer have not endeared it to the UK institutions. However, both seem hard to get round. If it is to become a major international natural resource company it needs to issue paper, and the takeover of Gold Fields is one of the very few ways that it can do so. The only way that Gold Fields can survive is by making itself as unattractive as possible.

Markets

Militant Jaguar workers, an enormous rise in bank lending, reduced corporate profit forecasts from Phillips & Drew: any number of things could have pushed the market down yesterday. The monetary news may have been less serious that it looked, but did not begin to explain the market's 23 point rise. The worst of the bulge in the lending numbers was innocuous enough, caused by companies borrowing heavily to pay their tax bills; the portion that went directly into the pockets of the consumer fell slightly, but by no more than was foreshadowed



by the latest retail sales numbers.

The market's rise was particularly puzzling as it took place without the support of Wall Street. That should not, however, be taken as a sign of any great confidence in London. The continued fall in turnover from January's peaks suggests that most people are sensibly waiting to see how the US behaves when it stops celebrating past Presidents' birthdays, and starts to worry about the present President's economic fix again.

It is just possible that the new stock exchange rules may have had something to do with both the fall in market volumes and yesterday's big price movement. Now that market-makers do not have to deal with each other, positions are more difficult to unwind. Though hard to prove, it would not be surprising if prices became much more volatile as a result.

Bond Corporation

Bond Corporation's interims neatly illustrate the complete lack of contact between the company's own description of itself and how it is seen by the market. The income statement looks hugely impressive: sales tripled to over A$5bn, pre-tax profits and net earnings both up by two thirds, and a one-third increase in the dividend. The shares were quite unmoved, with the result that at A$1.66 they stand at less than twice reported earnings and yield nearly 10 per cent.

It does not take much delving to appreciate the market's point. Besides the fact that net profits actually seem to be down before foreign exchange gains, it is disquieting to hear that the Bell acquisition is no more than covering its costs after taking in profits from a formidable A$1.8bn of asset sales. Interest cover is down from 1.7 to 1.6 times; and the brewing business, which was traditionally supposed to be the cash engine of the group, could manage only a 20 per cent rise in operating profits – the weakest among the divisions – despite the inclusion for six months rather than two of the plainly difficult Heileman acquisition in the US.

Above all, the results illustrate the impossibility of guessing what goes on in the tangled recesses of the Bond empire. In this instance, even the company's most attentive and single-minded follower was misled. In its glossy document of a month ago forecasting these figures, Lonrho got the turnover right: on almost everything else, it was out by a factor of two.

General Accident

The market is saying something rather odd about General Accident at the moment: that it is worth almost exactly as much today, relative to the All-Share overall, as the day it announced its deal with NZI last June. In the intervening months, the New Zealand company has contributed little apart from a constant stream of ever more distressing discoveries about its past and projections for its future; but to judge from the share price, the market thinks none of this really matters.

Not surprisingly, the company takes a similar view. Both it and the share price put a brave face on yesterday's news that NZI's business was in enough trouble to force it to pull its rights issue; that as a result, General Accident would have to lend the company NZ$100m to tide it over, and defer repayment of a further NZ$180m; in short, that however bleak things looked in November, they have contrived to look even more frightful today.

True, all that probably adds up to no more than a percentage point or so off GA's 1988 profits, and it is worth remembering that bad news always sounds worse in NZ dollars. But the fact remains that what the market had thought was purely a banking problem seems to have turned into a life insurance problem as well. And while GA may argue that the life insurance result reflects no more than a bit of one-off harshness on the part of the actuary, investors can be forgiven for wanting proof. All may yet come right in the end; but GA's reputation for being terribly Scottish and well-managed will be difficult to recover.

Moscow gains Cairo's support on Mideast

By Tony Walker in Cairo

THE SOVIET Union gained further Arab support for its Middle East peace initiative during talks in Cairo yesterday between Mr Eduard Shevardnadze, Soviet Foreign Minister, and President Hosni Mubarak of Egypt.

Mr Shevardnadze, making the first visit to Egypt by a Soviet Foreign Minister for 15 years, described as "identical" Soviet and Egyptian views on advancing peace in the region.

In Syria on Saturday, Mr Shevardnadze had outlined a three-point peace initiative that envisages establishment of a preparatory committee under UN auspices, leading to an international conference within nine months.

He was beginning a five-nation Middle East tour in the most strenuous Soviet attempt to re-establish its regional role for nearly two decades.

Mr Shevardnadze's visit to Cairo has emerged as the centrepiece of his tour, which will take in Iraq and Iran. He visited Jordan on the way to Egypt.

He is due to meet Mr Moshe Arens, Israeli Foreign Minister, in Cairo tomorrow. Egyptian and Soviet officials say that he will also meet Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, in the Egyptian capital this week, but this has not been confirmed.

Mr Shevardnadze, the most senior Soviet official to visit Egypt since relations soured in the mid-1970s after President Anwar Sadat had expelled thousands of Soviet advisers, spent three hours with Mr Mubarak. He later described the talks as "deep and important."

The Soviet choice of Cairo as a venue for the Shevardnadze-Arens meeting is regarded by officials there as a sign that Moscow believes that Egypt, the only Arab state to have made peace with Israel, has a pivotal role to play in any revitalised Middle East peace process.

Mr Shevardnadze has said he will try to persuade Mr Arens to review Israel's deep opposition to an international conference, but the Soviet official has also indicated a willingness to be flexible.

Asked in Amman at the weekend about an Israeli proposal for joint superpower sponsorship of peace talks, Mr Shevardnadze said the idea was new to him and would require study.

However, he added that, although the Soviet Union believed the UN Security Council should be the "major link" in Middle East peace efforts, "within this general outlook there might be some flexible methods that need discussion and study."

Israel's opposition to the international conference is based partly on fears that it would be heavily outnumbered and forced to make concessions.

It has also said repeatedly that it would not deal directly with the PLO, which it describes as a "terrorist organisation."

Brazil dam protest attracts world interest

By Ivo Dawnay in Altamira, Brazil

A HISTORIC protest meeting called by Indian leaders to halt a big new dam complex in the heart of Brazil's Amazon region opened yesterday under the glare of unprecedented international publicity.

The First Meeting of Indian Nations, organised by the Caiapo tribe, has drawn leaders of at least a dozen other Brazilian tribal groups, as well as representatives of US and Canadian Indians, to the dust-blown town of Altamira, on the banks of the Xingu river.

With them have arrived an estimated 500 foreign and local journalists, ecologists, anthropologists and politicians.

Government officials and technicians of Electronorte, the utility responsible for the $5.8bn Cararao project, are also to attend the meeting, to justify the dam's construction and to answer charges that it will damage the environment without benefiting local people.

Due to begin construction in 1993, the Cararao dam aims to produce 11,000 MW of extremely cheap electricity for use largely in the energy-starved south of Brazil. Ecologists claim, however, that it will also flood 1,225 sq km of virgin forest in the Caiapo territory. If other related hydro-electric projects now suspended are also built, the total area flooded would rise to 18,000 sq km, they say.

Altamira business leaders strongly support the dam, however, saying it will bring much-needed work and new infrastructure to the town's 50,000 population, many of whom live in acute poverty.

The Brazilian Government is under increasing attack from lobbyists both at home and abroad over its ecological record, particularly in the Amazon region.

It owes its discomfiture partly to Mr Paulo Paiakan, a Caiapo chief who over the past two years has successfully lobbied the World Bank and several developed-world capitals for support against encroaching development projects.

Charges brought last year against Mr Paiakan and two other defendants under Brazil's notorious "foreigners' law", forbidding criticism of the country abroad, have only served his cause. Earlier this month, they were discreetly dropped.

Nevertheless, Mr Paiakan's successes, and growing foreign interest in the Amazon, have also fuelled a fierce nationalist backlash against what is seen by many as unwarranted outside meddling in Brazil's affairs.

Last week, Mr Helio Gueiros, governor of Pará state in northern Brazil, of which Altamira is a part, attacked overseas lobbyists as "little gringos" who knew nothing of the real issues involved.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	–	–	–	Dubrovnik	S	15	59	Malta	F	15	59	Rhodes	S	13	55
Algiers	F	20	68	Edinburgh	C	03	37	Manchester	F	05	41	Rio de J'o	F	35	95
Amsterdam	S	09	48	Faro	F	17	63	Manila	C	30	86	Rome	C	17	63
Athens	S	13	55	Florence	C	11	52	Melbourne	F	18	64	Salzburg	R	08	46
Bahrain	F	18	64	Frankfurt	C	14	57	Mexico City	F	24	75	San Francisco	C	15	59
Bangkok	F	33	91	Funchal	S	19	66	Miami	C	25	77	Seoul	C	09	48
Barcelona	S	18	64	Geneva	C	16	61	Milan	F	11	52	Singapore	C	32	90
Beirut	R	15	59	Gibraltar	C	16	61	Montreal	C	-2	28	Stockholm	F	08	46
Belfast	S	05	41	Glasgow	Sl	04	39	Moscow	C	-2	28	Strasbourg	–	–	–
Belgrade	S	20	68	Guernsey	S	09	48	Munich	R	12	54	Sydney	C	19	66
Berlin	R	10	50	Helsinki	F	04	39	Nairobi	F	25	77	Taipei	F	20	68
Biarritz	–	–	–	H. Kong	F	20	68	Naples	F	15	59	Tangier	F	16	61
Bombay	S	31	88	Innsbruck	C	07	45	Nassau	F	28	82	Tel Aviv	C	15	59
Bordeaux	–	–	–	Inverness	F	03	37	New Delhi	S	19	66	Tenerife	S	20	68
Brussels	F	12	54	Islamabad	F	18	64	New York	C	05	41	Tokyo	C	13	55
Budapest	S	15	59	Istanbul	F	09	48	Nice	–	–	–	Toronto	C	-1	30
B Aires	C	35	95	Jakarta	R	29	84	Nicosia	C	14	57	Tunis	S	18	64
Cairo	F	18	64	Jersey	S	09	48	Oporto	C	16	61	Valencia	F	18	64
Cape Town	S	25	77	Jo'burg	F	26	79	Oslo	F	09	48	Venice	Fg	05	41
Caracas	C	24	75	Lima	F	28	82	Paris	C	16	61	Vienna	C	16	61
Casablanca	C	17	63	Lisbon	C	18	64	Peking	S	02	36	Warsaw	C	10	50
Chicago	Sn	-4	25	London	C	13	55	Prague	R	11	52	Washington	F	01	34
Cologne	C	11	52	Los Angeles	F	12	54	Reykjavik	S	-3	27	Zurich	R	10	50
Copenhagen	C	06	43	Luxembourg	C	09	48								
Corfu	S	16	61	Madrid	F	13	55								
Dallas	C	10	50	Majorca	S	21	70								
Dublin	R	09	48	Malaga	C	18	64								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK opposed to missile cuts

Continued from Page 1

contributed to a lessening of the perception of military threat from the East.

British officials said Mrs Thatcher, during her lunchtime talks at the Bundesbank, the central bank, yesterday, underlined her view that EC countries should take a step-by-step approach towards economic and monetary union.

A committee chaired by Mr Jacques Delors, the EC Commission president, is in the final stages of drawing up a report on the issue.

Swiss banks make losses

Continued from Page 1

shareholding in question represents at least 0.25 per cent of that class of shares. Where the holding is below 0.25 per cent, companies will continue to be able to disenfranchise the shares after 28 days.

The sanctions which the company can impose are also being extended. Aside from withdrawing voting rights, companies will now be able to withhold payment of any dividends on the shares concerned.

Furthermore, the company may also include some restrictions on the transfer of the shares in question. However, it will not be able to bar a genuine "arm's length" sale, which involves a change of beneficial ownership and takes place, for example, through a recognised investment exchange, any other recognised market, or following acceptance of a takeover bid.

Sanctions which companies themselves impose are in addition to the remedies which they can pursue through the courts.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday February 21 1989

INSIDE

Garfield makes a marketing splash

Garfield, the cartoon cat, has reason to grin and so too has Splash Products, a company which has a licence to print his likeness on T-shirts in Britain: character merchandising, the licensing and marketing of fictional characters, is emerging from a recession. Andrew Hill reports on an industry which embraces the likes of Dennis the Menace, Roger Rabbit and Asterix the Gaul. Page 26

Qintex dons a glamorous image

Qintex, Australian entertainment and leisure group, may rank low on the scale of market capitalisation Down Under, but it mirrors key directions of the country's economic growth. Artful advertising and a glamorous image reinforce a slow but steady recovery from the 1987 share market crash. Chris Sherwell reports on a bid to strengthen the company on a diet of financial conservatism. Page 21

Linotype breaks out of the mold

Times have changed in more ways than one for Linotype, the West German printing electronics group which went public in 1987. Long associated with typesetting machines, now considered museum pieces in many countries but a fact of life in the UK until recently, the company has become the world's biggest manufacturer of pre-press equipment with a range of new, high-tech products. Page 20

UN rises to bread problem

Third World consumers are almost as keen on bread as their counterparts in the developed world. But the wheat imports necessary for its production place a heavy burden on their countries' economies. So the UN Food and Agriculture Organisation has devised a technique for making bread from locally-produced produce — such as casava, maize, sorghum, rice and millet. Doubts remain, however, over the farmers' ability to produce enough of the commodities. Page 32

The honeymoon is over for Sema Group

Pierre Bonelli (left) has no regrets. The marriage between Sema-Metra of France and Cap Group of the UK has been a rocky but the managing director of the new Sema Group is convinced it is a good one. "There is nothing basically wrong with the British company and the core of the business is very solid," he says. Paul Betts reports on the and of a honeymoon after a software merger. Page 22

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Karstadt	424.9	+	11.9
Nixdorf	308	+	0
Kaufhof	422	+	8
Falls			
Bayer Hypo	366.2	−	2.8
PARIS (FFr)			
Rises			
Geophysique	585	+	37
Eurotunnel	89.9	+	5.6
Comptoir Entr	228	+	12.6
Bongrain	2930	+	149
Falls			
Maisons Phenix	82.5	−	3.9
Codetel	189.9	−	5.7
TOKYO (Yen)			
Rises			
Japan Steel Wks	1290	+	200
Fukusuke	1200	+	180
Hazaka Works	1690	+	190
Falls			
Kokusai Denki	1350	−	130
Meiwa Trading	1050	−	100
Uniden	2250	−	130

New York closed.

LONDON (Pence)			
Rises			
BAT Inds.	657	+	9
Bass	944	+	10
Blue Circle	535	+	24
Cable & Wire	429	+	9
EBF (Hldgs)	485	+	17
Eurotunnel Uts	790	+	29
Glemar	166	+	13
GUS A	1115	+	20
Gresham House	455	+	30
Guinness	471	+	15
Hicking P'cost	94	+	5
Legal & Gen	328	+	7
Pearson	717	+	16
P & O Defd	684	+	10
Racal Elec	350	+	12
Racal Telecom	277	+	13
Redland	514	+	17½
Roxburgh	559	+	21
STC	332	+	10
Summer Int	65	+	7
THORN EMI	725	+	22
Ultramar	298	+	8
Falls			
Acatos & Hutch	198	−	7
ICI	1194	−	10

N Zealand insurer abandons NZ$290m capital plan

By Nick Bunker in London

NZI CORPORATION, the problem-laden New Zealand insurance and banking group, yesterday scrapped a NZ$290m ($181m) rights issue aimed at rebuilding its balance sheet, after unearthing accounting problems which caused an unusual NZ$13m loss in its life assurance operations.

The discovery came as a fresh embarrassment for NZI's parent, General Accident, the UK insurer, which bought 51 per cent of NZI last summer as part of a strategic push into the Pacific.

General Accident now has to stand behind NZI with loans totalling NZ$290m until a new rights issue can be launched. This will happen "probably in June," according to Mr Ian Menzies, a General Accident general manager.

NZI also disclosed yesterday that its banking loan book had deteriorated since November, when it reported a half-yearly loss of NZ$180m owing to corporate defaults linked to the collapse of Rothwells, the Australian merchant bank.

Blaming "the recent deterioration in the New Zealand property market," NZI said it had made additional write-offs and provisions of NZ$67m, bringing after-tax losses for the nine months to December 31 to NZ$262m.

While the figures are relatively small in relation to General Accident, the UK's second-largest composite insurer, they have exacerbated fears in London that the group is being pulled deeper into a messy situation.

Since General Accident plans to underwrite the summer rights issue, it could end up with 67 per cent of NZI. The UK group's shares closed down 8p at 985p, despite its assertions there would be no more provisions at NZI.

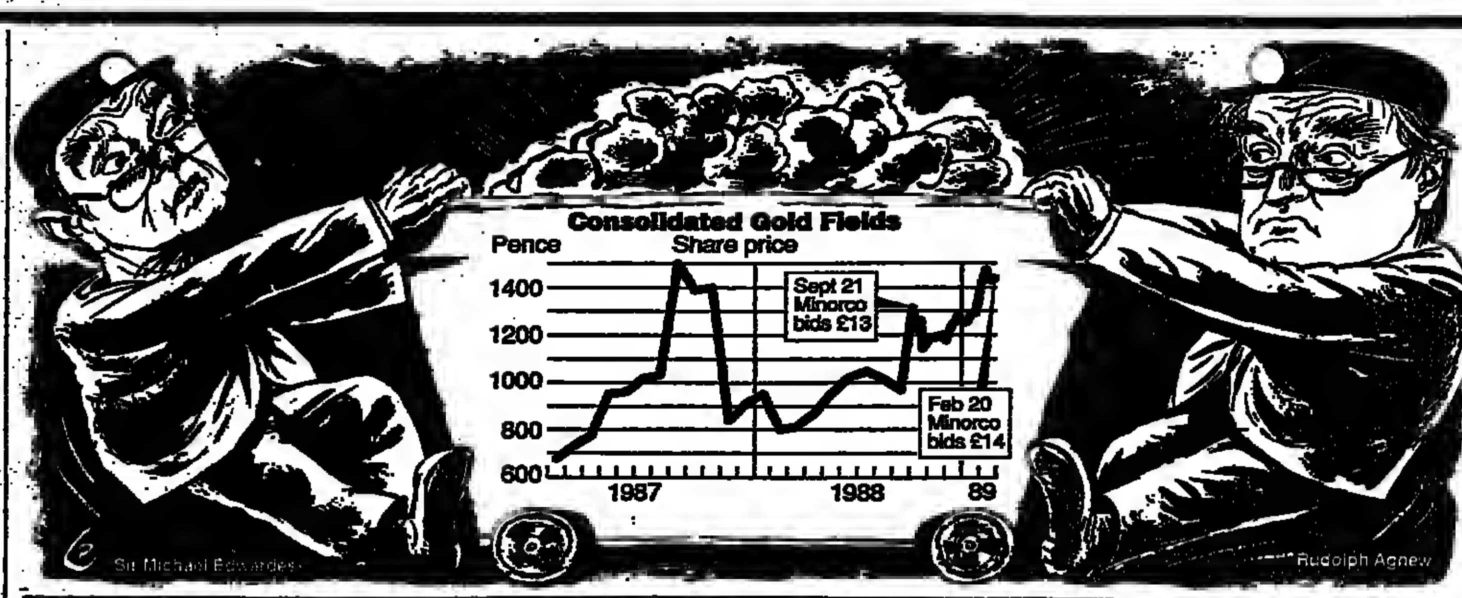
The decision to abandon the first rights issue arose because NZI failed to provide against the possibility of having to refund brokers' commissions to life assurance policyholders who cashed in policies early.

After its books were examined by a new actuary, NZI decided to make a specific write-off of NZ$13m, producing a NZ$3.4m third-quarter loss.

General Accident has now lent NZ$100m to NZI, aimed at bolstering its capital until the new rights issue.

It is also allowing NZI to defer repayment of NZ$180m which it is owed as a refund of part of the price of its 51 per cent stake.

Lex, Page 18



Minorco ends the phoney war

Kenneth Gooding examines the latest round in the battle for Gold Fields

The phoney war ended yesterday in Britain's biggest takeover bid, and the financial battle started in earnest.

Minorco, the Luxembourg-based investment group which is linked to the South African Oppenheimer empire, renewed its hostile bid for Consolidated Gold Fields, the diversified UK mining group, and raised its offer to around £14 a share, valuing the group at £3.2bn ($5.6bn).

Minorco, freed to bid earlier this month by the Monopolies Commission, has emerged practically unscathed from Gold Fields' world-wide political campaign, which concentrated on Minorco's South African ownership.

But although that campaign brought the UK group few rewards, there is one outstanding issue which could still prove severely embarrassing to the Luxembourg company — an injunction imposed by a New York court which prevents Minorco adding to its 30 per cent shareholding in Gold Fields.

Neither side knows when the US appeal court will announce its verdict, nor will they guess at the possible outcome.

That issue apart, the bid now looks like being fought out on the conventional grounds of price: Gold Fields must bring forward arguments to show its shares are worth more than £14 each.

In particular, it must convince the UK institutions, which between them hold 41.2 per cent of the company's share capital.

No other group comes close in importance. Private shareholders, mainly UK-based, have a further 12.7 per cent; Continental Europeans have about 3.9 per cent and North Americans 3.1 per cent (including 1.8 per cent owned by American Barrick Resources, a Canadian gold mining group).

South African shareholders hold about 8.6 per cent and Gold Fields of South Africa owns 7.5 per cent. (Mr Robin Plumbridge, GFSA's chairman, was at the Gold Fields' board meeting which unanimously rejected the Minorco bid yesterday and is understood to have spoken vigorously against the offer).

Gold Fields aims to be the first group to take advantage of recent changes to the UK Takeover Code which permit companies involved in bids to present their cases to groups of shareholders, rather than having to meet the institutions one at a time.

"The bid will be decided by the UK institutions and, frankly, that suits us," said Mr Gerry Grimstone, a director of Gold Fields' advisors, J. Henry Schroder Wagg.

Most of the UK institutions are long-term holders of Gold Fields' shares and a recent informal poll indicated a great deal of support for the company's board and its chairman, Mr Rudolph Agnew.

Most of them also suggested they did not want Minorco's US dollar-denominated, Luxembourg-quoted shares in exchange for their Gold Fields' stock.

However, Mr Tony Lea, Minorco's executive director, finance, said yesterday he had detected recently a slight change in the institutions' approach. "It is short-sighted to limit investment in mining to UK-based companies because that leaves only RTZ and Lonrho," he said. "We are confident that, over time, the institutions will come round."

The confidence which has exuded from the Minorco executive directors, headed by Sir Michael Edwardes, was still very much in evidence yesterday as they tucked into a modest lunch in a small office at the headquarters of advisors, Morgan Grenfell.

In particular, the Minorco team took heart because the stock market reacted to the bid by marking up the share price of the predator while Gold Fields' price went down, to end only slightly ahead of the offer value.

The Gold Fields' camp saw a different message. Mr Grimstone suggested that there was a relatively modest turnover in Gold Fields' shares yesterday but the few buyers were obviously banking on a cash bid above £15 a share.

Analysts also assumed that, if not exactly a sighting shot, yesterday's bid was offered as bait to bring Gold Fields' defence strategy out into the open.

"UK institutional shareholders can be fickle and their loyalty factor is not particularly high. But Minorco won't get their shares for £14 or £14.50," said one.

Mr Mark Wellesley-Wood, head of the mining team at Kleinwort Benson Securities, also saw the bid as "a ploy to draw out the defence. No bid below the market price can be taken very seriously."

He suggested, however, Gold Fields would have difficulty convincing its shareholders they should turn down any bid above £15 a share.

Like other analysts, Mr Wellesley-Wood believes that as much as 15 per cent of the Gold Fields' issued capital is still in the uncertain hands of speculators. "Many of them went in at £12.50 or £13 a share, so they are looking for a bit more," he said.

Gold Fields' defence seems certain to hinge in large measure on a revised value of its assets, and the company intends to move quickly and bring out its interim results within a week.

But Minorco yesterday argued that the greater the revaluation, the greater would appear Gold Fields' financial under-performance.

It also reiterated the arguments it presented when it first bid £13 a share for Gold Fields last September. It said it intended to concentrate on Gold Fields' three wholly-owned businesses, ARC (the former Amey Roadstone Corporation), ARC's North American subsidiary, and Gold Fields Mining Corporation, the group's North American gold mining subsidiary. Together these provided 70 per cent of Gold Fields' profit before tax and interest.

If the bid succeeded, Minorco would sell Gold Fields' substantial — but minority — shareholdings in Newmont Mining, the biggest US gold mining group; Gold Fields of South Africa and Renison Goldfields Consolidated of Australia. These assets, worth more than £1bn, were contributing profits of only £33m, Minorco claimed.

The disposals could be expected to eliminate Minorco's acquisition debt — but not Gold Fields' debt.

Minorco said it would be able to offer the executive management teams at ARC and GFMC more involvement in policy-making and more funds for investment. Mr Lea said: "We believe the brakes have been applied on ARC from the centre from time to time. The company has no investment in Continental Europe and we would help it change that."

Mr Agnew retorted: "You don't make better companies simply by throwing money at them." There was more to maximising shareholders' returns than simply maximising earnings from operating assets and control of cash flow, he added. "These great businesses they talk about (ARC and GFMC) were created here, by this management."

As his advisor, Mr Grimstone, acknowledged with a wide grin and some relish. "It is going to be a hell of a battle."

Courtaulds cuts the threads on its Victorian history

By Alice Rawsthorn in London

COURTAULDS, the UK textiles and chemicals group, has severed the last links with its beginnings, by selling Samuel Courtauld, the only company to bear the name of its original business, to Toray Industries of Japan for £26m ($46m).

The original Samuel Courtauld company was a silk mill in Essex, which made the Courtauld family fortune by weaving mourning crêpe for the widows of Victorian Britain.

Mourning was an elaborate affair in the 19th century. Queen Victoria set an example by swathing herself in black crêpe after the death of her beloved Prince Albert. It soon became de rigeur for the upper and middle classes to mourn their dead as elaborately — and expensively — as possible.

Initially the crêpe was imported into England from France. But in the 1830s a small mill in Essex invented a new loom which was ideally suited to silk crêpe.

The mill was owned by Samuel Courtauld. The new loom transformed his company's fortunes and laid the foundations for one of Europe's most powerful industrial groups.

The Courtaulds of today employs 58,000 people in 35 countries. In the 1980s, under the chairmanship of Sir Christopher Hogg, it has expanded in new areas — like paints and films — and has restructured its traditional textile interests.

Samuel Courtauld is now a small subsidiary of the textile division with 545 employees and two mills in northern England. It has fared well in the 1980s but its activities have become increasingly peripheral to the group's other textile interests.

Toray, by contrast, is one of the world's largest polyester producers. It has exported cloth from Japan to Europe for many years and sees the acquisition of Samuel Courtauld as a means of expanding in Europe.

The Toray deal is one of a recent series of investments by Japanese companies in European textiles. Kurabo and Toyo Menka Kaisha are joining forces with Tootal to build a plant in Scotland.

Wacoal, the giant lingerie group, has also announced expansion plans.

The Samuel Courtauld mills will now be rechristened Toray Textiles Europe. And, after a year the Samuel Courtauld name will return to Courtaulds, where it belongs.

Amer buys Wilson Sporting

By Olli Virtanen in Helsinki

AMER, the acquisitive Finnish consumer products group, has agreed to buy Wilson Sporting Goods, the largest US sporting goods manufacturer, for $200m from Wesray Capital, the New York-based investment company run by Mr William Simon, the former US Treasury Secretary.

The deal will increase Amer's net sales for the year ending February 28 from an estimated FM5.6bn to FM7.5bn ($1.8bn). It will complement Amer's strategy to concentrate on internationally well-known brand names.

Mr Heikki O. Salonen, chairman and chief executive of Amer, said: "Wilson's business fits very well into Amer's customer oriented business philosophy." The acquisition, he said, "will form a new cornerstone for the company since it brings about the world-wide expansion of Amer's operations."

Wilson is the world leader in equipment and apparel for golf, tennis, baseball, American football and basketball marketed under the name "Wilson." It has 12 production plants including eight in the US, two in the Caribbean region, one in Canada and one in Scotland.

Three times singles champion Chris Evert demonstrates technique and a Wilson racket at Wimbledon

In golf Wilson will join MacGregor Golf Company, the US golf equipment maker bought by Amer from Jack Nicklaus, the golfer, in 1986.

The Wilson acquisition will be made via a merger between a wholly owned Amer subsidiary and WSGC Holdings, which owns all the outstanding capital stock of Wilson. Amer will also buy all warrants and convertible securities of Wilson. Wilson's publicly held subordinated noted will remain outstanding.

Amer will finance the acquisition by cash flow from its operations, proceeds from earlier share issues and by using international financing facilities.

Wilson's net sales for 1988 totalled $425m. Profit before depreciation, extraordinary items and taxes reached $40m, an increase of 30 per cent from 1987.

Amer's brand name businesses include Toyota and Citroen imports, Marlboro manufacturing and Marimekko textiles and clothing. Amer is also active in communications, publishing, paper converting businesses as well as plastics and metal industries.

Pending the "customary conditions" the transaction is expected to be completed by the end of March.

Nat-Ned in Fl 750m rights issue

By Laura Raun in Amsterdam

NATIONALE-Nederlanden, the largest insurance company in the Netherlands, yesterday announced a rights issue that will raise around Fl 750m ($362m) and strengthen the balance sheet following a string of acquisitions.

The one-for-ten issue will give current shareholders the right to one new share for every 10 held and to dividend payments for 1989. The issue price will be announced on February 28 and is expected to be around Fl 60 a share.

In recent months Nat-Ned has spent around Fl 1.6bn in buying up companies, culminating in Southland Life of the US and two Canadian insurers last month.

Southland Life alone is costing $440m of which $300m is being borrowed in the US and the rest drawn from equity.

Net assets as a percentage of long- and short-term liabilities has dwindled to around 55 per cent now from 61 per cent at the end of 1986, according to Kleinwort Benson. The London stockbrokers reckon that approximately Fl 900m or more of goodwill will be written off for the series of acquisitons.

Even though Nat-Ned plans to temper its takeovers it wants to remain poised in case a particularly attractive candidate appears, notably in the Far East. Japan, South Korea and Taiwan are the main targets although government policy in those countries generally forbids foreign acquisitions.

Nat-Ned declined to say yesterday whether it expected any earnings dilution in 1989 from the 12.5m new shares. Kleinwort Benson estimates only modest dilution of 3-4 per cent.

The rights issue is being underwritten by a syndicate led by Amsterdam-Rotterdam bank. Investors initially turned thumbs down on the news.

Nat-Ned's share price eased in the morning before firming slightly in the afternoon to close down Fl 1.20 at Fl 63.70.

Swiss 'must ease curbs on foreign takeover bids'

By William Dullforce in Zurich

SWISS COMPANIES will have to open themselves to mergers and takeovers, Dr Markus Lusser, President of the Swiss National Bank, said yesterday.

He warned that Swiss concerns could not go on forever making hostile acquisitions abroad while exploiting domestic practices to protect themselves against takeovers "if we do not want to be confronted with retaliation, especially from the European Community."

Other pressures as well - increased market competition or the need for capital - would force Swiss companies to amend their three-tier stock structure, which distinguishes between registered, bearer and participation shares and allows them to restrict voting rights.

Dr Lusser was speaking at a conference on Swiss financial markets organised by Euromoney. Argument has raged over Swiss protectionist practices since Nestlé took over Rowntree of the UK last year and subsequently announced it was opening its registered shares to foreign ownership.

Amendments to corporate stock practices would have to be accompanied by improvements in the information provided to the public and tighter supervision, Dr Lusser maintained.

One problem was that large share purchases did not have to be reported. Another was the danger of the US takeover boom spilling over onto the Swiss stock market.

Foreign securities – as happened in the Kohlberg, Kravis and Roberts' takeover of Nabisco – could lose their ratings and, if they continued to be traded, could alter the structure of the Swiss market.

The Swiss Emissions Board's practice of basing its approval for listing foreign securities only upon their rating when issued could provide investors with "an illusory sense of safety."

The SNB president's line of argument was also pursued by Mr Werner Rey, chairman of Inspectorate International and one of the few takeover specialists in Switzerland.

Insisting that co-operation between companies was not an alternative to merger or acquisition, Mr Rey said the secure road to Europe for many Swiss companies led through a suitable buyout within the European Community.

The competence of Swiss managers would not for much longer be measured by the hidden reserves they could amass, but by how successfully they used the reserves to develop their companies. And, Mr Rey argued, the development of new products was often far riskier than a merger or takeover of a company with potential.

A high-tech forumla for printing success

Haig Simonian examines Linotype of West Germany's progress and strategy since leaving Allied Signal

Wonderful is how Mr Wolfgang Kummer, chief executive of Linotype, the West German printing electronics group which went public in October 1987, decribes the company's morale after years of being part of Allied Signal of the US.

This week's figures for Linotype's first full year of independence confirm that optimism. Group sales rose by more than 18 per cent to DM618m ($332m) in 1988, pre-tax profits jumped over 25 per cent to more than DM50m and an increased dividend from DM11 a share seems almost certain.

But the enthusiasm at Linotype, which makes the sophisticated electronic pre-production equipment used by printing concerns and newspapers around the world, does not stem from independence alone.

Mr Kummer admits several of the new products which last year boosted Linotype into the world's biggest manufacturer of pre-press equipment, notably laser image setters – which translate data from a computer into very high resolution film – stemmed from its time as an Allied Signal subsidiary.

"I made a lot of friends," in shuttling regularly to group headquarters in New Jersey, he recalls. However, "I also spent a lot of time listening to plans for chemicals, engineering equipment and brakes," he says. "It was all very interesting, but hardly essential."

Apart from greatly reduced bureaucracy – leading to a far more flexible management style – he singles out closer identification with the product as being the main benefit of independence. That identification has extended to the shop-floor with an employee share scheme after flotation.

But Linotype's buoyancy has also been technology-driven. Its famous old typesetting machines, long relegated to the museum in many newspapers but a daily fact of life in the UK until remarkably recently, are still its best-knwon product. Like many newspapers, it displays a gleaming black model prominently at its headquarters.

Though long outdated, the essentials of the famous device still lie at the heart of the company's business, even if the technologies involved have changed beyond recognition.

The Linotype machine was both a "front end" input device into which a compositor typed what would become text – and a "back end" machine for translating that input into material for a printing press.

Those functions tend to be separated now. Back end devices are Linotype's bread and butter, accounting for about 60 per cent of sales. One machine in particular, the Linotronic 300, which came on the market in 1986, has become the world's top-seller, accounting for some 5,000 of the 9,000-odd laser image setters sold by the end of 1988.

"This is the Mercedes of the industry," says Mr Kummer proudly. The machine has become "almost an industry standard" - reflected by the fact that printers in the US refer simply to the L300, without even mentioning the producer's name.

Last year was a record for Linotype's image setters - reflected in its results. Apart from some 1,800 L300s, costing around DM100,000 each, it also sold 200 bigger L500 machines.

However, it is the new L500 model which represents its brightest hope. The machine, unveiled last September, offers much of the L300's quality at an appreciably cheaper DM70,000 price.

With 620 deliveries by end-87 and over 1,000 orders since the launch, the company is delighted with the price-quality breakthrough it represents - reflected in a 30 per cent overall increase in new orders at the end of last year and 53 per cent jump in its order backlog.

Wolfgang Kummer: 'Our plant is the industry standard'

While the market for back-end devices is limited to a handful of manufacturers, competition at the front end, which accounts of about 30 per cent of Linotype's sales, is fierce, with at least 50 groups involved.

"The entry card to get into back end business is expensive; the entry card at the front end relatively cheap," says Mr Kummer. Front-end competitors can include small software houses, which just write programmes to be used on other-manufacturers' computers, but the back-end business involves sophisticated production capacity and heavy research and development costs.

Linotype has partly kept in front end by devloping beyond its traditional newspaper customers. Commercial printers are now its main source of business, with some 80 per cent of its clientele deriving from companies with less than 50 employees.

Meanwhile in the newspaper and magazine business it still claims to supply more newspapers in Europe than any competitor, specialising on 60 to 120 terminal installations.

Linotype is still ahead technologically, making the present assured, but what of the future? Change comes notoriously fast in high technology electronics, while there is no lack of once proud German companies laid low by Far East competition in the engineering or optical industries.

Mr Kummer stresses four factors, starting with top-notch research and development. The company has over 250 R&D staff and spent some DM50m on researching new products last year. Colour is the next technological challenge.

Efficient manufacturing comes next. The company's assembly facilities, alongside its headquarters just outside Frankfurt, is the most modern of its kind in Europe and "certainly the most modern in the industry," says Mr Kummer.

One reason for the simplicity of the production line is that the bulk of components, come from outsiders. The company works with over 600 subcontractors.

Finally there is a constant stress on quality. Making laser image setters in particular is a painstaking business, involving high technology electronics and precision engineering.

But the company is by no means sanguine about its future. "There is no technology as yet which is a danger to our back end systems," says Mr Kummer. "But we always need to look."

Could independence have dangers as well as advantages, notably in the shape of a hostile takeover by some technology-hungry giant? The German system of a supervisory and managing board, along with worker representation, is likely to dissuade any raider, thinks Mr Kummer. Linotype's present high share price is also dissuasive.

But its most important defence is its shareholder structure. Just over a quarter of its shares are held by Frega, a holding company comprising Commerzbank with 10 per cent, East Asiastic and Bührmann Tetterode, two close business partners, with 5 per cent each, and Iduna Leben, a German life insurer with another 5 per cent.

Together, Frega owns 25 per cent plus one share in Linotype – an important "blocking minority" under German law where many key decisions require 75 per cent shareholder approval.

Financing is the least of Linotype's worries. "We are not borrowing DM1 from any bank, just the opposite," he boasts. The company is cash rich, and it recognises the surplus could be used for strategic decisions, like acquistions.

"We are always looking, but there is nothing acute at present", he says. Whether a potential acquistion – if it ever comes – is made to round off part of the business, buy technology or just add sales and distribution capacity is unclear. But one factor is certain. "We are not going into any other business," stresses Mr Kummer. With sales and profits figures like those just reported, who needs to?

Dana continues strong recovery with $162m

By Anatole Kaletsky in New York

DANA Corproation, the large US car and truck component manufecturer, recorded another big increase in its net profits, sustaining the strong recovery which it began two years ago.

Dana had net income of $44m, or $1.08 a share, in the fourth quarter. This was more than double the $20m, or 53 cents, reported the year before, although a large part of the advance was due to one-time restructuring charges taken in 1987, which reduced the fourth quarter's earnings by 31 cents a share.

Full year net income of $162m, or $3.99, was 15 per cent higher than the $142m, or $3.24, achieved in 1987 and almost double the level recorded in 1986.

Dana's worldwide annual sales increased by 18 per cent to $4.94bn.

Chrysler sees revenues doubling

CHRYSLER, THE third largest US motor vehicle gronp, expects revennes from the sales of cars and trucks outside the US to double to $2bn this year, Mr Michael Hammes, the company's vice president for international affairs, told Reuters.

In addition, he said the company was considering building its popular minivan vehicle outside the US, and was negotiating with the Chinese Government to expand production at its Beijing Jeep venture.

Mr Hammes said Chrysler, which began selling cars and trucks in Europe last April, had revenues of $1.1bn internationally in 1988.

"We started up a significant business overseas and we made a very nice profit, too," he added, but would not details of Chrysler's overseas profit.

In 1989, which will be the first full year of international sales, Mr Hammes said the group expected to see revenues double, and he predicted that by 1994, Chrysler's international sales would be between $4bn and $6bn. The sales prediction, he said, included several projects not yet underway.

The minivan was introduced six years ago, and is one of Chrysler's most profitable vehicles. It is built at plants in Windsor, Ontario and St Louis.

Mr Hammes stressed, however, the company did not have a formal project under development for overseas minivan production.

Chrysler, he said, had to decide whether it should build the minivan with a partner, such as Renault, with which it would build a small sport utility vehicle named the JJ.

He pointed out that a minivan built abroad would not necessarily be prodnced in Europe, although that would be a top market for the vehicle.

Kellogg 'will not match 1988 first quarter'

KELLOGG, the US foods group, said it will not match the 98 cents per share earnings reported in last year's first quarter, but foresees a good performance for 1989, writes Our Financial Staff.

"We will not match the first quarter of 1988, but hope when the year is done to add another notch to record earnings," Mr William LaMothe, chairman, said.

Kellogg reported net income of $121.1m, or 98 cents per share, on revenues of $1.03bn for the 1988 first quarter.

AMCA seeks to expand in food and construction

By Robert Gibbens in Montreal

AMCA International, Canadian Pacific's main US industrial holding company, has completed a drastic two-year restructuring and is looking for acquisitions again, probably in food processing and construction.

Mr William Holland, chairman, said: "CP wants a larger presence in the US and we can play a part." AMCA has more than $400m in tax loss carryforwards available, mainly in the US.

AMCA, the former Dominion Bridge Company, Montreal, was a star stock market performer in the 1970s as it expanded into oil service industry and other engineered products in the US.

But the company suffered badly in the 1982-83 recession and its holdings were halved between 1986 and 1988 as losses mounted.

AMCA reported net profit of C$25.4m, or 1 cent a share, for 1988. In 1987 it suffered a loss of $178m , including $185m asset write-downs.

INTERNATIONAL COMPANIES AND FINANCE

Bond profit hits $152m as revenue trebles

By Chris Sherwell in Sydney

BOND CORPORATION, the principal company in the burgeoning corporate empire of Australian entrepreneur Mr Alan Bond, yesterday reported after-tax earnings of A$152.8m (US$125m) for the six months to December, up 40 per cent on the same period in 1987.

The result, which also included a hefty trebling of revenues to A$5.2bn, comes at a time when Mr Bond's business interests and accounting methods are under increasing scrutiny, not least because of a campaign by Lonrho of the UK, in which Bond Corporation has a 20.1 per cent stake.

The market may also take a while to digest the numbers because of the large variety of transactions undertaken by Mr Bond over the past year, which have made the group look somewhat different from 12 months ago.

The figures nevertheless contain several significant features:

- Earnings have been boosted by a A$86m income tax benefit rather than cut by a tax expense. The figure is more than double the previous year's benefit.
- On an equity-accounted basis and after extraordinary items, after-tax earnings were A$134m, up 47.3 per cent on the previous period's A$91m.
- The A$5.2bn revenue figure includes A$1.8bn in proceeds from the sale of assets in the Bell stable of companies, acquired from Mr Robert Holmes à Court last year.
- The contribution to revenues of the group's brewing operations has fallen from 72 per cent of the total to 28 per cent, although in absolute terms it has risen slightly.
- The contribution to profit from the group's brewing operations, before interest and tax, has also fallen sharply, from 56 per cent of the total to 35 per cent. Property transactions have emerged as a significant new contributor.
- The group twice acknowledges disappointment over a "relatively minor" contribution from G. Heileman, the North American brewer bought in 1987.
- Media and communications interests are apparently generating sharply increased cash flows and contributing significantly more to profit.

Mr Peter Beckwith, managing director, said yesterday the group could look forward to a "strong" second half. It was emerging from a phase highlighted by a number of major acquisitions, including the Heileman brewing group and the Bell companies, and the full benefits of rationalising these assets and consolidating their operations were not yet fully reflected in the group's results.

Directors declared an interim profit of eight cents a share, up from six cents. In the last full year to June 1988, the total dividend was 14 cents.

A man of Australian leisure

Chris Sherwell on the growth of Qintex under Christopher Skase

It is just one of the curiosities of Qintex that many Australians have heard of the company, but none — not even its executives — know for sure what it means.

Another is that, having suffered along with other entrepreneurial companies Down Under, it is slowly emerging from the 1987 share market crash on a less shaky footing than its discredited counterparts.

Mr Christopher Skase, the youthful businessman long identified with Qintex, has been trying to leave behind his asset-shuffling past by building cash-generating businesses, adopting a rational corporate structure and being more conservative financially.

Analysts agree that, while the company is not yet out of the woods, the goal is moving closer. Qintex has streamlined itself into two basic core businesses — television and resorts — and is now in the process of restructuring its heavy A$850m (US$695m) debt.

If the high-profile Mr Skase fails, the Australian corporate scene will be stirred rather than shaken. After all, Qintex Australia, his main operating company, ranks only around 70 in market capitalisation terms.

On the other hand, the group is the owner of the Channel Seven National Television Network and the two sparkling Mirage luxury resorts in Queensland. As one of Australia's premier entertainment and leisure groups, it mirrors key directions of the country's economic growth.

The perception is reinforced by artful advertising which creates an image of glamour to match the group's modernistic activities. Rare artefacts which dot the marbled-head office in Brisbane, glimmering pools which embrace the Mirage resorts, even Mr Skase's own sartorial smoothness, amplify the tone.

Now 40, Mr Skase's rise to prominence is a story in itself. It was his disc-jockey father who suggested that, instead of working in radio too, he should think of owning a station, perhaps even a network. That was when he was 17.

At 20 he drove an old Ford Falcon around Australia "to see what opportunities presented themselves." As legend has it, he got to Port Douglas in north Queensland and decided, immediately it was the ultimate location for the resort complex now standing there.

After two years on the Australian Financial Review newspaper, he duly embarked on his business career. Using an investment company he set up, he acquired the cashed-up shell of a Tasmanian retailer which had changed its name to Qintex and been used unsuccessfully to explore for tin.

Qintex is slowly emerging from the 1987 stock market crash on a less shaky footing than some of its discredited counterparts.

Over the next 10 years Qintex's assets increased from around A$1m to A$1bn. From being a retailer, it became a jewellery business, part-owner of a broadcasting group and a property trust and then, in 1982, a stock market investor.

Qintex's purchase that year of Industrial and Pastoral Holdings, the company which would become the main operating group, Qintex Australia, set a pattern. Typically, Mr Skase would acquire a target through aggressive share purchases, then finance the borrowings through asset sales and share placements. Later, when the business matured, he would buy out the minorities.

By 1985 the group was involved in television in Brisbane and in four Queensland provincial towns. That was also the year the group moved into resort development, taking advantage of Queensland's need to develop tourism and its lack, as late as 1984, of any five-star hotels.

In an important deal securing the Port Douglas site, the Queensland Tourist and Travel Corporation, on behalf of the Government, put up the land as equity in a joint development with Qintex. In another transaction, Qintex acquired a second location — a unique slab of dual-waterfront land on a spit at the Gold Coast, an hour's drive south of Brisbane.

The resort formula in both cases was the same: build a luxury beach hotel bathed in artificial lagoons, add a marina and classy shopping centre, and surround it with stylish condominiums and apartments. Then use condominium sales and rent from retailers and marina users to produce early cash flows while the high-tariff hotel picks up. By September 1987 the Sheraton Mirages were open.

As these ambitious plans went ahead, the opportunity suddenly arose to create the Channel Seven network, following a change in the country's media ownership rules at the end of 1986. Mr Skase bought the Channel Seven stations in Brisbane, Sydney and Melbourne from the Fairfax group, and then acquired two more, in Adelaide and Perth, from the Bell Group.

He has since been battling to make the network more profitable while trying to improve its standing in the competitive ratings contest with the other two commercial networks, Channel Nine, controlled by Bond Corporation, and Channel Ten, part of the Westfield group. In 1988 the network finished second, behind Nine.

Qintex manages a sophisticated link between its resorts and leisure interests and its media and entertainment activities. This month, for example, it staged an international golf match at the Port Douglas Mirage and broadcast it on Channel Seven.

But executives insist that the two divisions stand alone, that there is "no mixing of flows." Looking ahead, they say they are seeking a dual 50-50 split in the group's assets — between resorts and leisure and media and entertainment, on the one hand, and between Australia and overseas on the other.

Thus, Qintex is now creating a third Mirage out of the Princeville Hotel on the Hawaiian island of Kauai, and would like eventually to do similar projects on the US mainland, initially in California, later in Florida.

Similarly, in entertainment, Qintex holds through its US subsidiary a 42 per cent stake in Qintex Entertainment, a television production company resulting from the merger in 1988 of Hal Roach Studios of Los Angeles and Robert Halmi of New York. The company also owns 50 per cent of Colorisation, the group which colours black-and-white film.

It is clear that this rapid expansion owes much to Mr Skase's considerable entrepreneurial talent. He has produced novel ideas, snatched opportunities, negotiated attractive deals and appointed experienced managers, without ever losing control through the 51 per cent-owned Qintex.

Qintex Australia now has gross assets of A$2.4bn, while its consolidated net profit has risen from less than A$1m in 1984 to A$28.1m in the year to July 1988. Last month Mr Skase launched a massive press advertising campaign to announce a forecast profit for 1989 of A$42m and probably more. Revenues were projected at A$750m, up from A$577m in 1988 and A$178m in 1987.

But big questions remain, as the languishing share price suggests. Potential investors and institutional shareholders remain most worried about the group's balance sheet, specifically its debt.

Qintex says its net effective debt as a percentage of total assets fell to 28 per cent in 1988 from 46 per cent in 1987, and that its interest cover has increased and will rise further. But it adds that it is considering numerous proposals to restructure its debt.

Mr Skase has to sell off two television stations under the media ownership rules, and local reports say he may sell off half of the Mirage resorts to realise some A$200m. Recently, a A$51m dual share placement was announced.

Brambles forms unit with GKN

By Chris Sherwell in Sydney

BRAMBLES INDUSTRIES, the Australian-based international materials handling group, yesterday deepened its involvement with GKN of the UK through a restructuring and expansion of its European and North American businesses.

At the same time it announced a US$60m (US$49m) move into the large US waste industry through the acquisition of a significant stake in Environmental Systems Company (Ensco), which is listed in New York.

The main feature of its moves is the formation of GKN-Brambles Enterprises, a new jointly-owned and controlled company. This will take on GKN and Brambles' jointly owned European pallet-pooling activities, known as CHEP Europe, and their UK-based Cleanaway waste-management business.

But the new group will also be a platform for expansion elsewhere. GKN will take up 50 per cent of CHEP Canada, which is Brambles' Canadian operation, and 50 per cent of American Pallet Systems, its Chicago-based US business. The two partners say greater resources will now be committed to a possible pallet-pooling project in the US and Canada.

At the same time, Cleanaway's waste activities will be expanded into Europe. No details were given, but Brambles said Cleanaway's strong growth in the UK over recent years "made it the logical vehicle for European expansion."

In the separate US deal, Brambles is purchasing 3m Ensco shares for US$30m, to give it 20 per cent of the company. Over the next three years it will subscribe a further US$30m for notes convertible to ordinary shares.

It described Ensco as a leader in the high temperature incineration of hazardous and toxic waste, with a major facility at El Dorado, Arkansas, and e second US$40m plant being established near Phoenix, Arizona.

Ensco reported a loss of US$25m for the year to last October as a result of various write-offs, but Brambles said it was now focused on its core activities, and the new capital injection would strengthen its financial position.

Kirin earnings dented

By Our Financial Staff

KIRIN BREWERY, Japan's largest beer manufacturer, reports that inroads by rival breweries resulted in falling sales and earnings in the fiscal year which ended last December 31.

Kirin's pre-tax earnings totalled Y64.69bn ($515.5m) and net earnings Y29.01bn, on sales of Y1,178bn, for the year, shortened to 11 months by Kirin's decision to begin its fiscal year on January 1. In the preceding full fiscal year, pre-tax profits were Y80.82bn and net Y34.06bn, on sales of Y1,266bn. Dividend for the year is to remain unchanged, at Y7.50.

For Kirin, it was the first drop in both sales and earnings since the fiscal year ended on January 31 1980.

Although strict comparison was difficult because of the difference in length of the two fiscal years, Kirin officials say the latest results still show sales and earnings declining, as Kirin has failed to capitalise fully on the high demand for "dry beer," first marketed by Asahi Breweries.

Profits fell because of an increase in marketing and other costs as Kirin tried to catch up with Asahi, Japan's third-largest brewer in 1987, which took the market by storm with its premium "Super Dry" beer. Marketing and administration costs went up by 10.5 per cent to Y171.57bn. The company's financial balance improved, however, with interest and dividend receipts climbing 55.1 per cent to Y32.56bn, while interest payments grew by e much slower 13.8 per cent to Y7.62bn.

NBB advances 58%

NET PROFITS for National Bank of Bahrain (NBB), Bahrain's oldest locally registered bank, jumped by 58 per cent in 1988, to 6.8m dinars ($18m), Reuter reports from Bahrain.

Earnings before provisions rose to 13.7m dinars at the end of 1988, from 10.9m the previous year, the bank said. Total assets dropped by 105.5m dinars to 545m dinars, while customer deposits rose by 9m dinars to 438m dinars. The bank decided to recommend a dividend of 15 per cent or 4.2m dinars to shareholders, up from 2.8m dinars in 1987.

Gas project lifts Aberdare

By Jim Jones in Johannesburg

ABERDARE CABLES, the South African affiliate of the Dutch Philips group, lifted sales by a quarter last year, helped by strong demand for cabling for the Mossgas offshore gas venture. Turnover increased to R321m ($129m) from 1987's R256m and the pretax profit rose to R39.8m from R23.3m.

The directors say the company won several contracts to supply power, telecommunications and control cable to Mossgas and that exports markets are being developed. In addition, the company has developed import-replacement interests to supply cable accessories. It believes sales will remain firm this year.

Earnings rose to 142 cents a share from 89 cents and the dividend has been lifted to 115 cents from 45 cents.

Alfa-Laval in talks with German food machinery supplier

By Robert Taylor in Stockholm

ALFA-LAVAL, the Swedish dairy equipment and process engineering group, announced yesterday that it is negotiating the purchase of Krämer & Grebe, a West German company which is one of the world's leading suppliers of machinery for the meat treatment and sausage making industries.

Alfa-Laval said the acquisition would give it "a dominant position in the ready-made food sector." It would be able to offer products and processes for "complete meat treatment from raw-material handling to packaging."

The German company, based in Hesse, is expected to have sales this year totalling DM120m ($65.5m), with 65 per cent accounted for by exports.

Alfa-Laval's latest negotiations are part of its wider strategy of acquisitions particularly to the food engineering business. The acquisition of Krämer & Grebe would raise the Swedish company's total sales to the meat treatment and ready-made food industry to about SKr1bn ($159m) a year.

If the negotiations succeed, the purchase would be the 18th made by Alfa-Laval in the past three years. These have added SKr3.4bn to the group's total sales volume.

A few months ago the company bought Koppens, a Dutch company that manufactures machinery for meat production. Other conquests for Alfa-Laval in the meat and convenience food processing industry recently have occurred in the US, Sweden and West Germany.

BMW and Veba set up mobile phone consortium

BMW, the West German car maker, and Veba, the energy and industrial group, said yesterday they have set up a consortium with three foreign companies to apply for a private mobile telephone licence in West Germany, **Reuter reports from Munich.**

The two companies said they joined forces with Bellsouth Enterprises, a subsidiary of Bellsouth of the US, the Racal Electronics unit of Racal Telecom of the UK, and France's Compagnie Financière pour le Radiotéléphone (Cofira).

A private network will compete with a similar service called the D-net to be offered by the Bundespost, the German post office.

The Bundespost said in January it expected to decide this year which company will be awarded a licence for the network.

British Telecom has also said it wants to enter the West German cellular phone market, where the private network will operate from 1990 or 1991.

The BMW/VEBA statement said Bellsouth operated more than 40 mobile telephone networks with 250,000 users in the US while Racal Telecom had 280,000 customers in Britain for its network which has been running since 1985. Cofira last year won a licence for the French cellular phone network being launched next month.

In the UK, Racal's Vodafone and Cellnet, a joint venture between BT and Securicor, run cellular radio networks.

In a statement issued in London, Racal said the new German networks would be based on the digital cellular phone standard developed by the Groupe Special Mobile (GSM) of the European Conference of Posts and Telecommunications.

It will form part of a pan-European cellular phone system.

Sema stands by its British bride

Paul Betts on the end of a honeymoon after a software merger

The honeymoon has been brief for Sema-Metra and Cap Group. Last summer, Paribas, the large French financial group, married off its Sema-Metra software company with Cap Group of the UK to form what was dubbed at the time as the first "truly European software concern." But the French, to their dismay, soon found that all was not well with their English bride.

Six months later, the merged company, renamed Sema Group, announced that its 1988 earnings would fall considerably short of its earlier published expectations. It also announced a top management reorganisation and the resignation of Mr Mike Smith, the British joint managing director of the new Anglo-French software group who had been the architect of the UK company's recovery in the early 1980s.

"After the initial euphoria, we had a bad surprise," claims Mr Pierre Bonelli, the former chief executive of Sema-Metra, who has now become the sole managing director of the Sema Group. "But we have no regrets about the merger.

"*There is nothing basically* wrong with the British company and the core of the business is very solid. The problem is that we discovered it was a poorly managed company. Central management was weak and there was too much decentralisation. There was also a lack of overheads control."

In contrast, he claims, Sema-Metra has always been a very profit orientated and relatively centralised group with tight financial control. "My background is Texas Instruments and Sema-Metra has traditionally been run a bit like a US company while Cap was run like many European companies with a lot of decentralisation," Mr Bonelli says. "We were aware of a difference in our respective cultures but not to such an extent."

Although British analysts admit that there had been some slippage in Cap'a management, they none tha less suspect the French side of dramatising the problem to take overall control of the new merged company. However, they also acknowledge that the unexpectedly disappointing financial performance of the British company last year gave the French side the chance to step in forcefully to shake-up the management in the UK.

But Mr Bonelli argues that the poor financial results in the UK left the French with little alternative but to intervene vigorously to put the British business back on a profitable track. "It caused quite a bit of emotion here when we discovered that instead of making about £9m in pre-tax profits last year, as expected, the British business would only manage to break even."

Moreover, the pill was all the more bitter to swallow because 1988 was a record year for the French company, with net profits rising to FFr84m ($13.5m) on turnover of FFr1.58bn from FFr63m on FFr1.4bn the year before.

From the beginning, Sema-Metra has been the pride and joy of Paribas. The bank created the company from scratch, successfully floated it on the Paris unlisted securities market, and backed its steady development in France, Spain, Belgium and Germany.

The merger with Cap Group last year after 12 *months of secret negotiations* was expected to crown Sema-Metra's irresistible rise by associating it in a new transnational group capable of matching not only Cap Gemini Sogeti, its French rival and the largest European-owned computing services company, but also the dominant US groups in this field.

The reverse takeover of Cap Group involved the acquisition of Sema-Metra by Cap with the French shareholders receiving Cap shares and ending up with 55 per cent of the new company. Paribas, the dominant French shareholder, saw its 70 per cent stake in Sema-Metra converted into a 40 per cent holding in the merged group.

The other large French shareholders included Crédit Agricole with 4 per cent of the group and Schneider with 2.9 per cent. On the British side, the Coal Board pension fund, Cap's largest shareholder, ended up with 6 per cent.

Mr Bonelli says: "We tried to do in the European software sector what Asea and Brown Boveri did in the engineering field: create a truly transnational company."

He also argues that Sema-Metra and Cap Group make a good fit. The two companies were about equal in size, each employing about 3,000 and each with annual turnover of around FFr1.5bn. "Together we made a FFr3bn a year sales group employing around 6,400."

Geographically, the two companies were also complementary, with Cap strong in the UK and the Netherlands and

Pierre Bonelli: 'no regrets about the merger'

Sema-Metra in France, Spain, Germany and Belgium. "Moreover, they were strong in defence and we were strong in industry," Mr Bonelli adds.

Both companies also felt it was important for each to attain the necessary critical size in an industry which has traditionally been technology driven but is becoming increasingly market driven.

The bigger size is now expected to boost the new group's chances in clinching major software contracts. Indeed, the group in the UK *appears to be* in a strong position to secure a £36m ($64m) order to supply Massey-Ferguson with a worldwide facility management system. The French partner is also poised to win a FFr50m contract to supply the software system for the Olympic village for the Barcelona in 1992.

Yard, the group's UK marine engineering consultancy, is working on a £30m contract over several years to provide the Royal Navy with a submarine command and control system. Sema also believes it is well positioned to win the software systems contract for the Channel tunnel project.

"All this shows that the group has solid bases and good prospects on both sides of the Channel," says Mr Bonelli. It also explains in part the violent reaction of Cap Gemini Sogeti, Sema's principal European rival, to the merger. Cap Gemini sought to topple the merger last year by launching a hostile bid for the new group. At one stage it accumulated a 29.9 per cent stake in the new company. "But we made it clear we had no intention of co-operating with them."

Although Cap Group had been vulnerable to a takeover with about 80 per cent of the UK company's capital in public hands, the merger locked up the British and French companies in secure hands. "Cap Gemini was trapped," says Mr Bonelli. "Between Paribas, the Coal Board and our other core shareholders, over 50 per cent of the group's capital was locked up."

Cap Gemini, with a current stake of about 20 per cent in the merged group, had not been offered a seat on the board of the new company and would only receive "a year book and an annual report."

Mr Bonelli is now confident that the British side of the business will recover its profitability to match by next year the French entity's level of profitability — net profits at 5.6 per cent of sales.

He also insists that he continues to consider the deal as "a true merger" and not a takeover of a British company by the French.

Mr John Chisholm, the head of Cap's Yard division, had been put in charge of the UK operation and was building up a new management team from within the ranks of the British company. "But we have tightened the financial control of the UK operation from Paris."

The stocky, hard-nosed French managing director also says he wants to expand the group's operations in Germany through acquisition and in the Far East by internal growth. In the medium term, the group would also seek to acquire some assets in the US to penetrate the American market. "But our immediate priority is to get the UK back on track."

Perstorp seeks Norway laminate acquisition

By Sara Webb in Stockholm

PERSTORP, the Swedish specialty chemicals and plastics group, said yesterday that it is negotiating the acquisition of the laminate-producing operations currently owned by Norske Skog, the Norwegian forestry group.

The acquisition would help strengthen Perstorp's position in the Nordic market for laminates. Norske Skog's profitable laminate operations would add production capacity in Norway and boost sales by NKr240m ($36m). Perstorp's surface materials division has annual sales of SKr1.3bn ($207m).

Norske Skog plans to sell off the division as it does not fit in with its main forestry products operations. It produces decorative laminates and components for laminated kitchen, bathroom and furniture surfaces.

Mr Lars Arnrup, who heads Perstorp's surface materials division, said demand for decorative laminates had "increased sharply" in recent months. He expects sales to increase from SKr1.3bn to SKr1.5bn in the next year.

The Perstorp group showed a profit of SKr608m on sales of SKr5.15bn in its last year.

Former chairman sues Co op over dismissal

MR BERND OTTO, former management board chairman of Co op who is under investigation for possible accounts falsification and embezzlement, has filed suit against the troubled West German retailer for losses he incurred because of his dismissal last December.

The suit was filed in a Frankfurt court on Mr Otto's behalf by the Cologne-based law firm, Schlütter, Lühr und Görg, said a court official.

Separately, Bank für Gemeinwirtschaft, one of the banks that bailed out Co op last year, expressed confidence the retailer's restructuring would succeed.

NEWS IN BRIEF

● **Fried. Krupp**, the West German steel and engineering group, said it expected its 1988 pre-tax loss would be substantially below earlier forecasts of up to DM100m ($55m).

The company gave no reasons for the improved forecast. Krupp has said that its industrial plants division incurred a loss of about DM300m while other departments were profitable. The company made a 1987 group net profit of DM42m.

● **Cassa di Risparmio di Torino** (Carito), the leading savings bank in Piedmont, said it had increased its stake in France's Crédit Commercial de France (CCF) from 1 per cent to just under 3 per cent.

Carito declined to say how much it paid for the stake in CCF, other than to say it had acquired around 800,000 common shares in purchases on the Paris bourse. On the basis of an average price of FFr210, Carito spent around FFr168m ($27m) for the 2 per cent stake in Crédit Commercial. CCF's common stock closed at FFr209.30 in Paris on Monday.

The Turin-based bank said it had boosted its stake in the French commercial bank to further "develop operating synergies in the field of financial intermediation."

● **Bekaert**, a Belgian manufacturer of steel wire and cord, announced yesterday it had sold two units to Tréfilunion, a subsidiary of the Usinor-Sacilor steel group of France.

Bekaert declined to name the selling price but said the sale was made for cash. The two units, both located in Belgium, make specialised equipment and had combined turnover in 1988 of BFr1.54bn ($40m) and combined personnel of 115.

Rule changes at Vancouver SE

By Robert Gibbens in Montreal

THE VANCOUVER Stock Exchange is tightening up its listing requirements for junior companies in response to widespread criticism.

It also plans to divide its trading board into a "venture" or speculative section for the stocks of companies meeting minimum listing requirements and resource and industrial sections for trading stocks of more mature companies.

New junior industrials must have raised C$275,000 (US$231,000) in seed capital, up from C$100,000, before they can make a public offering. They will have to raise at least C$350,000, up from C$75,000, in the offering before the stock can be listed.

INTL CAPITAL MARKETS

Study suggests options reduce share volatility

By Katharine Campbell

THE LONDON Traded Options Market yesterday released an independent study from the City University business school that claims options trading in London has reduced the price volatility in shares on which options are listed.

Dr Gordon Gemmill's study finds that, in certain circumstances, share price volatility is reduced by between 4 per cent and 12 per cent on a portfolio of stocks on which options are listed. The study period spans the 1987 stock market crash.

Dr Gemmill himself stresses the limitations of the study, however, as it is conducted on a small sample of shares over a relatively short period of time. "A larger sample would be needed to obtain clearer results," he noted yesterday.

Derivative instruments, including options, have been treated with suspicion in some quarters of the investment community, partly because of their leveraged nature.

Some such critics saw a causal link between derivatives usage and the stock market crash. But the academic literature that exists in this field, most of which has concentrated on the US market, has generally found that both futures and options reduce rather than increase price fluctuations, or volatility.

In the case of options, this is largely because "the options market is likely to complement rather than substitute for the equity market," according to Dr Gemmill.

The resultant increase in liquidity should narrow bid-ask spreads, the gap between buy and sell prices. But collating this information was too big a task for the confines of this study. Instead, daily trading ranges, one of a number of volatility measures, were taken.

Dr Gemmill adopts two approaches. In the first, the volatility of 10 shares was monitored, before and after options were introduced. The sample included options introduced on LTOM during 1987, and the tests ran for a period of 20 weeks before and after the options were listed.

The second approach is to take two roughly comparable share portfolios, one of 18 shares on which options existed, and another where there were no options. Daily price fluctuations were recorded from September to end-November 1987.

As regards the first sample, Dr Gemmill terms the results "not very clear." One of the problems is how to filter out price changes unrelated to options trading. The study adjusts for broad market movements using the FT-SE 100 index, but this is at best an imperfect guide.

Dr Gemmill is more confident of the significance of his second group of findings — where he discovers a reduction in volatility on the bundle of shares with options.

The principal weakness of the study is its limited scope. Mr Quintin Price, head of options research at James Capel, reckons its observations are too narrow to draw any firm conclusions.

NSW offshore bond increased

By Chris Sherwell in Sydney

MANAGERS of the novel New South Wales Treasury Corporation "exchangeable" bond have increased the size of the issue from A$150m to A$225m following a strong response from offshore institutional investors.

The increase makes the issue one of the largest-ever offshore Australian dollar bond offerings, and underlines the importance of the issue's main feature — its "exchangeability" into equivalent domestic paper.

It is structured so that holders will find their interest payments free of Australian withholding tax, like other offshore offerings, but will also enjoy access to the domestic market's higher liquidity should they wish to sell.

Lead manager Bain & Co, the Australian investment bank, has pitched the issue directly to institutions rather than to the retail investors who typically take up most Australian dollar bond offerings. It carries the same 12.1 per cent coupon of the equivalent NSW Treasury Corp domestic bond.

The issue is only the second of its type. The first, issued by Australia's Telecom and lead managed by Dominguez Barry Samuel Montagu, carried slightly different conditions, and was also increased in size following a strong investor response.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

† No information available-previous day's price

† Only one market maker supplied a price

[illegible]

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FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday February 20,1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	56.2801	30.5384	44.5067
Albania	(Lek)	10.0533	5.7007	3.0933	4.5082
Algeria	(Dinar)	12.0088	6.8096	3.6951	5.3851
Andorra	(Fr Fr)	11.0750	6.2801	3.4076	4.9663
	(Sp Peseta)	202.65	114.9135	62.3538	90.8744
Angola	(Kwanza)	53.2300	30.1842	16.3784	23.8699
Antigua	(E Carr $)	4.7682	2.7038	1.4671	2.1382
Argentina	(Austral)	32.1233	18.2156	9.8840	14.4050
Aruba	(Florin)	3.1611	1.7925	0.9726	1.4175
Australia	(Aus $)	2.1565	1.2228	0.6635	0.9670
Austria	(Schilling)	22.845	12.9543	7.0292	10.2443
Azores	(Port Escudo)	265.90	150.7796	81.8153	119.2376
Bahamas	(Bahama $)	1.7635	1	0.5426	0.7908
Bahrain	(Dinar)	0.6675	0.3785	0.2053	0.2993
Balearic Is	(Sp Peseta)	202.65	114.9135	62.3538	90.8744
Bangladesh	(Taka)	56.52	32.0499	17.3907	25.3452
Barbados	(Barb $)	3.5520	2.0141	1.0929	1.5928
Belgium	(Belg Fr)	68.15c	38.6447	20.9692	30.5605
		68.45g	38.8148	21.0615	30.6950
Belize	(B $)	3.5320	2.0028	1.0867	1.5838
Benin	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Bermuda	(Bermudian $)	1.7635	1	0.5426	0.7908
Bhutan	(Ngultrum)	26.70	15.1403	8.2153	11.9730
Bolivia	(Boliviano)	4.4327	2.5135	1.3639	1.9877
Botswana	(Pula)	3.5100	1.9903	1.0800	1.5739
Brazil	(Cruzado)	1.7613	0.9987	0.5419	0.7898
British Virgin Is	(US $)	1.7635	1	0.5426	0.7908
Brunei	(Brunei $)	3.4013	1.9287	1.0465	1.5252
Bulgaria	(Lev)	1.4956	0.8480	0.4601	0.6706
Burkina Faso	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Burma	(Kyat)	11.4112	6.4707	3.5111	5.1171
Burundi	(Burundi Fr)	268.8595	152.4578	82.7260	120.5647
Cameroon	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Canada	(Canadian $)	2.0995	1.1905	0.6460	0.9414
Canary Is	(Sp Peseta)	202.65	114.9135	62.3538	90.8744
Cp. Verde Is	(CV Escudo)	135.5317	76.8538	41.7020	60.7765
Cayman Is	(CI $)	1.4658	0.8311	0.4510	0.6573
Cent.Afr. Rep	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Chad	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Chile	(Chilean Peso)	448.44	254.2897	137.9815	201.0941
China	(Renminbi Yuan)	6.6011	3.7431	2.0311	2.9601
Colombia	(Col Peso)	615.08	348.7836	189.2553	275.8206
Comoro Is	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Congo (Brazz)	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Costa Rica	(Colon)	140.9268	79.9131	43.3620	63.1958
Cuba	(Cuban Peso)	1.3450	0.7626	0.4138	0.6031
Cyprus	(Cyprus £)	0.8400	0.4763	0.2584	0.3766
Czechoslovakia	(Koruna)	26.12c	14.8114	8.0369	11.7130
		16.88l	9.5718	5.1938	7.5695
		16.93t	9.6002	5.2092	7.5919
Denmark	(Danish Kroner)	12.6525	7.1746	3.8930	5.6737
Djibouti Rep	(Djib Fr)	313.00	177.4879	96.3076	140.3587
Dominica	(E Carrib $)	4.7682	2.7038	1.4671	2.1382
Dominican Rep	(D Peso)	11.2141	6.3590	3.4504	5.0287
Ecuador	(Sucre)	756.52o	428.9878	232.7753	339.2466
		948.96a	538.1117	291.9876	425.5426
Egypt	(Egyptian £)	4.200	2.3816	1.2923	1.8834
El Salvador	(Colon)	8.8275	5.0056	2.7161	3.9585
Equat'l Guinea	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Ethiopia	(Ethiopian Birr)	3.6291	2.0578	1.1166	1.6273
Falkland Is	(Falk £)	1.00	0.5670	0.3076	0.4484
Faroe Is	(Danish Kroner)	12.6525	7.1746	3.8930	5.6737
Fiji Is	(Fiji $)	2.5221	1.4301	0.7760	1.1309
Finland	(Markka)	7.5566	4.2849	2.3250	3.3885
France	(Fr)	11.0750	6.2801	3.4076	4.9663
Fr. Cty/Africa	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Fr. Guiana	(Local Fr)	11.0750	6.2801	3.4076	4.9663
Fr. Pacific Is	(CFP Fr)	200.00	113.4108	61.5384	89.6860
Gabon	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Gambia	(Dalasi)	11.4790	6.5092	3.5320	5.1475
Germany East	(Ostmark)	3.2500	1.8429	1	1.4573
Germany West	(D Mark)	3.2500	1.8429	1	1.4573
Ghana	(Cedi)	428.34	242.8919	131.7969	192.0807
Gibraltar	(Gib £)	1.00	0.5670	0.3076	0.4484
Greece	(Drachma)	272.10	154.2954	83.7230	122.0179
Greenland	(Danish Krone)	12.6525	7.1746	3.8930	3.6737
Grenada	(E Carr $)	4.7682	2.7038	1.4671	2.1382
Guadaloupe	(Local Fr)	11.0750	6.2801	3.4076	4.9663
Guam	(US $)	1.7635	1	0.5426	0.7908
Guatemala	(Quetzal)	4.8463	2.7481	1.4911	2.1732
Guinea	(Fr)	529.80	300.4252	163.0153	237.5784
Guinea-Bissau	(Peso)	1147.90	650.9214	353.2000	514.7533
Guyana	(Guyanese $)	15.8850	9.0076	4.8876	7.1233
Haiti	(Gourde)	8.8300	5.0070	2.7169	3.9596
Honduras	(Lempira)	3.5310	2.0022	1.0864	1.5834
Hong Kong	(HK $)	13.7775	7.8125	4.2392	6.1782
Hungary	(Forint)	94.9959	53.8678	29.2295	42.5990
Iceland	(Icelandic Krona)	89.57	50.7910	27.5600	40.1659
India	(Indian Rupee)	26.70	15.1403	8.2153	11.9730
Indonesia	(Rupiah)	3099.505	1757.5871	953.6938	1389.9125
Iran	(Rial)	123.75	70.1729	38.0769	55.4932
Iraq	(Iraqi Dinar)	0.5522	0.3131	0.1699	0.2476
Irish Rep	(Punt)	1.2205	0.6920	0.3755	0.5473
Israel	(Shekel)	3.1800	1.8032	0.9784	1.4260
Italy	(Lira)	2382.00	1350.7229	732.9230	1068.1614
Ivory Coast	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Jamaica	(Jamaican $)	9.5275	5.4026	2.9315	4.2724
Japan	(Yen)	223.00	126.4530	68.6153	100
Jordan	(Jordanian Dinar)	0.9565	0.5423	0.2943	0.4289
Kampuchea	(Riel)	176.35	100	54.2615	79.0807
Kenya	(Kenya Shilling)	33.00	18.7127	10.1538	14.7982
Kiribati	(Australian $)	2.1565	1.2228	0.6635	0.9670
Korea North	(Won)	1.7130	0.9713	0.5270	0.7681
Korea South	(Won)	1200.75	680.8902	369.4615	538.4529
Kuwait	(Kuwaiti Dinar)	0.5067	0.2873	0.1559	0.2272
Laos	(New Kip)	759.38	430.6095	233.6553	340.5291
Lebanon	(Lebanese £)	893.45	506.6345	274.9076	400.6502
Lesotho	(Maluti)	4.3930	2.4910	1.3516	1.9699
Liberia	(Liberian $)	1.7635	1	0.5426	0.7908
Libya	(Libyan Dinar)	0.5114	0.2899	0.1573	0.2293
Liechenstein	(Swiss Fr)	2.7625	1.5664	0.8500	1.2387
Luxembourg	(Lux Fr)	68.15	38.6447	20.9692	30.5605
Macao	(Pataca)	14.2311	8.0698	4.3788	6.3816
Madeira	(Port Escudo)	265.90	150.7796	81.8153	119.2376
Malagasy Rep	(MG Fr)	2532.00	1435.7811	779.0769	1135.4260
Malawi	(Kwacha)	4.6270	2.6237	1.4236	2.0748
Malaysia	(Ringgit)	4.8178	2.7319	1.4824	2.1604
Maldive Is	(Rufiya)	15.3819	8.7223	4.7328	6.8977
Mali Rep	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Malta	(Maltese £)	0.5915	0.3354	0.1820	0.2652
Martinique	(Local Fr)	11.0750	6.2801	3.4076	4.9663
Mauritania	(Ouguiya)	132.45	75.1063	40.7538	59.3946
Mauritius	(Maur Rupee)	25.20	14.2897	7.7538	11.3004
Mexico	(Mexican Peso)	4114.08a	2332.9061	1265.8707	1844.8789
		4097.12d	2323.2889	1260.6523	1837.2735
Miquelon	(Local Fr)	11.0750	6.2801	3.4076	4.9663
Monaco	(French Fr)	11.0750	6.2801	3.4076	4.9663
Mongolia	(Tugrik)	5.9258	3.3602	1.8233	2.6573
Montserrat	(E Carr $)	4.7682	2.7038	1.4671	2.1382
Morocco	(Dirham)	14.55	8.2506	4.4769	6.5246
Mozambique	(Metical)	1182.5666	670.5793	363.8666	530.2989
Namibia	(S A Rand)	4.3930	2.4910	1.3516	1.9699
Nauru Is	(Australian $)	2.1565	1.2228	0.6635	0.9670
Nepal	(Nepalese Rupee)	42.3840	24.0340	13.0412	19.0062
Netherlands	(Guilder)	3.6725	2.0825	1.1300	1.6468
N'nd Antilles	(A/Guilder)	3.1611	1.7925	0.9726	1.4175
New Zealand	(NZ $)	2.8530	1.6178	0.8778	1.2793
Nicaragua	(Cordoba)	4060.65	2302.6084	1249.4307	1820.9192
Niger Rep	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Nigeria	(Naira)	12.4503	7.0599	5.8308	3.5830
Norway	(Nor. Krone)	11.7925	6.6869	3.6284	5.2881
Oman	(Rial Omani)	0.6820	0.3867	0.2098	0.3058
Pakistan	(Pak. Rupee)	33.70	19.1097	10.3692	15.1121
Panama	(Balboa)	1.7635	1	0.5426	0.7908
Papua New Guinea	(Kina)	1.4752	0.8365	0.4539	0.6615
Paraguay	(Guarani)	706.20o	400.4536	217.2923	316.6816
		1786.69a	1013.1499	549.7507	801.2062
Peru	(Inti)	1677.70o	951.3467	516.2153	752.3318
		2113.30a	1198.3555	650.2461	947.6681
Philippines	(Peso)	36.30	20.5840	11.1692	16.2780
Pitcairn Is	(£ Sterling)	1.00	0.5670	0.3076	0.4484
	(NZ $)	2.8530	1.6178	0.8778	1.2793
Poland	(Zloty)	976.60*	553.7850	300.4923	437.9372
Portugal	(Escudo)	265.90	150.7796	81.8153	119.2376
Puerto Rico	(US $)	1.7635	1	0.5426	0.7908
Qatar	(Riyal)	6.4465	3.6555	1.9835	2.8908
Reunion Is. de la	(F Fr)	11.0750	6.2801	3.4076	4.9663
Romania	(Leu)	14.781	8.3810	4.5476	6.6278
Rwanda	(Fr)	135.3255	76.7368	41.6386	60.6840
St Christopher	(E Carr $)	4.7682	2.7038	1.4671	2.1382
St Helena	(£)	1.00	0.5670	0.3076	0.4484
St Lucia	(E Carr $)	4.7682	2.7038	1.4671	2.1382
St Pierre	(French Fr)	11.0750	6.2801	3.4076	4.9663
St Vincent	(E Carr $)	4.7682	2.7038	1.4671	2.1382
San Marino	(Italian Lira)	2382.00	1350.7229	732.9230	1068.1614
Sao Tome	(Dobra)	179.9183	102.0234	55.3594	80.6808
Saudi Arabia	(Riyal)	6.6198	3.7537	2.0368	2.9685
Senegal	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Seychelles	(Rupee)	9.50	5.3870	2.9230	4.2600
Sierra Leone	(Leone)	71.50	40.5443	22	32.0627
Singapore	($)	3.4013	1.9287	1.0465	1.5252
Solomon Is	($)	3.7907	2.1495	1.1663	1.6998
Somali Rep	(Shilling)	430.9040	244.3459	132.5858	195.2304
South Africa	(Rand)	4.3930c	2.4910	1.3516	1.9699
		6.9275g	3.9282	2.1315	3.1065
Spain	(Peseta)	202.65	114.9135	62.3538	90.8744
Spanish Ports in N Africa	(Sp Peseta)	202.65	114.9135	62.3538	90.8744
Sri Lanka	(Rupee)	37.50	32.6056	17.6923	25.7847
Sudan Rep	(£)	7.9470	4.5063	2.4452	3.5636
Surinam	(Guilder)	3.1523	1.7875	0.9699	1.4135
Swaziland	(Lilangeni)	4.3930	2.4910	1.3516	1.9699
Sweden	(Krona)	11.1050	6.2971	3.4169	4.9798
Switzerland	(Fr)	2.7625	1.5664	0.8500	1.2387
Syria	(£)	37.0860	21.0297	11.4110	16.6304
Taiwan	($)	49.10	27.8423	15.1076	22.0179
Tanzania	(Shilling)	230.30	130.5925	70.8615	103.2735
Thailand	(Baht)	44.20	25.0637	13.6000	19.8206
Togo Rep	(CFA Fr)	553.75	314.0062	170.3846	248.3183
Tonga Is	(Pa Anga)	2.1563	1.2228	0.6635	0.9670
Trinidad/Tobago	($)	7.5055	4.2560	2.3093	3.3656
Tunisia	(Dinar)	1.6514	0.9364	0.5081	0.7405
Turkey	(Lira)	3389.96	1922.2908	1043.0646	1520.1614
Turks & Caicos	(US $)	1.7635	1	0.5426	0.7908
Tuvalu	(Australian $)	2.1565	1.2228	0.6635	0.9670
Uganda	(New Shilling)	291.6023	165.3542	89.7237	130.7633
U A E	(Dirham)	6.4830	3.6762	1.9947	2.9071
United Kingdom	(£)	1.00	0.5670	0.3076	0.4484
United States	(US $)	1.7635	1	0.5426	0.7908
Uruguay	(Peso)	844.79	479.0416	259.9353	378.8295
USSR	(Rouble)	1.0891	0.6175	0.3351	0.4883
Vanuatu	(Vatu)	185.50	105.1885	57.0769	83.1838
Vatican	(Lira)	2382.00	1350.7229	732.9230	1068.1614
Venezuela	(Bolivar)	25.6070e	14.5205	7.8790	11.4829
		67.00l	37.9926	20.6153	30.0448
Vietnam	(Dong)	5827.80	3304.6781	1793.1692	2613.3632
Virgin Is-British	(US $)	1.7635	1	0.5426	0.7908
Virgin Is-US	(US $)	1.7635	1	0.5426	0.7908
Western Samoa	(Tala)	3.8080	2.1593	1.1716	1.7076
Yemen	(Rial)	17.26	9.7873	3.3107	7.7399
Yemen PDR	(Dinar)	0.6057	0.3434	0.1863	0.2716
Yugoslavia	(Dinar)	11310.57	6413.7056	3480.1753	5072.0044
Zaire Rep	(Zaire)	540.25	306.3510	166.2307	242.2645
Zambia	(Kwacha)	17.60	9.9801	5.4153	7.8923
Zimbabwe	($)	3.4900	1.9790	1.0738	1.5650

Special Drawing Rights February 17,1989 United Kingdom £0.746607 United States $1.32687 Germany West D Mark 2.43481 Japan Yen166.788 European Currency Unit Rates February 20,1989 United Kingdom £0.640604 United States $1.13035 Germany West D Mark 2.08379 Japan Yen142.932

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (l) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday February 20,1989. *Rate due to devaluation of 7.45pc on 20.2.89 against the US dollar.

INTERNATIONAL CAPITAL MARKETS

Syndicate managers angry at new issue procedures

By Andrew Freeman

CONTROVERSY over the handling of new issues preoccupied the Eurobond market yesterday. Two Euro-sterling deals were widely criticised by the syndicate managers involved and by new issue traders.

Complaints about new-issue syndication procedures are being raised by those who think that current rules allow unacceptable manipulation of the market and exploitation of other syndicate members by the lead manager. The recent squeezing of one issue focused attention on such procedures and there is a growing movement to change new issue rules.

Warburg Securities was the lead manager yesterday of a £100m nine-year deal for Abbey National Building Society which suffered amid falling government bond prices and aroused strong comment from several rival houses.

The bonds were priced at 101⅝ to yield 10.47 per cent on a semi-annual basis, some 69 basis points over the 9¾ per cent 1998 gilt-edged bond. Several traders said this spread was extremely tight and that the issue had been mispriced.

The lead manager pointed out that the Abbey National bonds were classified as senior debt, and should not be directly compared with subordinated paper which yields more because its holders have less priority in the event of default.

Subordinated paper was yielding around 85 basis points over government bonds yesterday, which argued for a yield of nearer 70 basis points on the Abbey National bonds. Traders countered that the maturity implied a yield of 80-85 basis points and speculated that the deal was being subsidised by the lead manager.

Investors demonstrated a restrained appetite for the paper and the bonds were soon trading at less 2 bid, a discount equivalent to full fees, a level at which large amounts of paper are thought to have been sold back to Warburgs. A Warburg official confirmed that bonds had been bought back, but declined to say how many.

In late trading the bid price moved lower to less 2¼, falling partly with the decline in the government bond market, but mainly because the lead manager was trying to discourage further selling. The issue proceeds were swapped into floating-rate sterling.

This followed a floating-rate note launched last Friday by Credit Suisse First Boston which ran into strong criticism for the way the lead manager failed to support the issue price during the first hours of trading. "At least Warburg was there, supporting the issue with a bid price," commented *one trader*.

The CSFB-led issue, of £100m five-year bonds for HMC Mortgage Notes 102 plc, was the second fixed-rate mortgage-backed issue by Household Mortgage Corporation. It has aroused controversy because it was tightly priced and because CSFB chose not to support the deal during syndication.

The original issue, known as HMC 101, was issued at a spread of 82 basis points over UK government bonds. The HMC 102 notes came at a significantly tighter spread of some 75 basis points. CSFB said it was trying to establish a new, lower level at which a highly-rated borrower like HMC could tap the market.

Critics were numerous. The timing of the deal – it was launched just before sensitive economic data – was attacked. CSFB said the timing was dictated by swap opportunities.

Several houses declined to take part in the issue, feeling it would be hard to place. Those who did join the group had no real chance to sell paper back to CSFB because the lead manager did not offer the customary support to the deal.

"We couldn't find a bid price until very late on Friday, and that price was less 2¼ which was outside fees," complained one trader who wanted to sell paper. "*Why is the lead manager there*, if not to establish the liquidity of the deal by making a two-way price?"

CSFB – which by contrast is currently artificially inflating the price of an Ecu100m issue for Toyota Motor Credit – countered that it was happy to see the issue judged on its own merits rather than *supported* by a false price.

Some Eurobond officials felt the issue had damaged the prospects for further fixed-rate mortgage-backed deals.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
BP America Inc.(b)♦	200	10	101⅛	1996	1⅞/1¼	Morgan Stanley Int.
Yasuda Trust & Fin.HK(c)♦	120	10½	101.925	1999	2/1¼	Goldman Sachs Int.
CANADIAN DOLLARS						
Ontario Hydro(b)♦	500	10⅞	101⅞	1999	2/1¼	Merrill Lynch Canada
STERLING						
Abbey National B.Soc.(b)♦	100	10⅝	101⅝	1998	2/1¼	S.G. Warburg Securities
D-MARKS						
Fuji Bank (Luxembourg)♦	100	6½	101	1996	2¼/1½	Commerzbank
SWISS FRANCS						
Chukyo TV Broadcasting★★♦	20	5⅞	100⅛	1994	1⅞	Handelsbank NatWest
Final terms fixed on:						
Takada Kiko Co.(a)★★§♦	40	½	100	1994	n/a	SBC
Carter Holt Harvey Fin.§♦	(d)	5½	100	1994	n/a	S.G. Warburg Soditic

§Convertible. ★★Private placement. ♦Final terms. a) Put option fixed 30/9/91 at 103¼ to yield 1.943%. b) Non-callable. c) Call at par March 1992. d) Issue amount depends on success of exchange offers. Terms fixed as indicated. Redemption at 102½ to yield 6.025%, if not converted. Conversion price: NZ$2.75. Conversion premium 6.17%.

Swiss banks forced to open their books

David Lascelles examines the wider impact of last week's loss disclosures by UBS

The decision by Union Bank of Switzerland last week to lift the veil concealing the losses of its London securities operations was welcomed by analysts as a move by the notoriously secretive Swiss towards greater disclosure. But it also provided an indication of just how misleading Swiss bank reports can be.

Among the information given by UBS was the fact that Phillips & Drew, its London securities arm, lost £81m ($144m) in the year ended March, 1988. Yet there was no hint of this in UBS' 1987 annual report.

The section on P&D commented: "In addition to the company's successful endeavours to adapt its activities to the new market conditions prevailing in the City of London, significant progress was made in other longer-term projects designed to underpin Phillips & Drew's leading market position."

Equally uninformative was the section on UBS' troubled London-based Euromarkets operation, UBS (Securities). The report said that the firm "further strengthened its reputation as a first rate lead manager of international capital market issues." In reality, UBS (Securities) lost £29.9m before tax in 1987 – *information* which was not publicised, but only disclosed in the statutory accounts lodged at Companies House.

Analysts also believe that UBS' New York securities operation lost a similar mount of money that year, though, again, this was not in the annual report.

Swiss Bank Corporation has been equally reticent about the fortunes of its securities operations in London, Swiss Bank Corporation International (SBCI), which has also lost money.

The 1987 annual report said that trading in both the equity and debt markets that year had been poor, and the Basle-based holding company, SBCI Holding, "as a whole was unable to show a profit and omitted a dividend."

Again, a search through Companies House reveals that SBCI London lost £27.7m before tax that year, blaming the losses in the markets. Mr Hans de Gier, the chief executive in London, confirms the figure, though he stresses that there were also goodwill write-offs relating to SBC's acquisition of Savory Milln, the stock-broking firm.

Asked about SBCI's results for 1988, he declines to give any details in advance of the announcement of the group results. But he comments: "They're better".

The accounts for SBCI's New York securities operations give no profit and loss figures. But figures for the balance sheet show that there was a fresh infusion of capital in 1987.

Credit Suisse has been the most open about its fortunes in London, partly because many of them are wrapped up in Credit Suisse First Boston, its joint venture with First Boston which reports separately. But the bank disclosed in its last annual report that Credit Suisse Buckmaster & Moore, its 100 per cent owned London securities subsidiary, lost £2m in 1986 and made a small profit of £200,000 in 1987.

The only overall public indication that the banks gave last year of their problems was the 3 per cent fall which each of them reported in their net income.

The banks are due to announce their 1988 results at the end of this week, and analysts are waiting with interest to see whether they will be more informative this time round.

Ironically, UBS' made its dramatic disclosures last week just as the Swiss Association of Financial Analysts and Investment Managers called for fuller disclosure by Swiss banks. Observers say that while the Swiss are slowly moving towards greater openness, the process is likely to be slow, for a number of reasons.

One is the fact that the banks dominate the local stock exchanges, and are able to keep at bay the sorts of disclosure pressures that operate in more open exchanges, with independent analysts.

Another is that the habit of secrecy is deeply imbued in the Swiss banking mentality, and the third is that the Big Three Swiss banks are worried about the impact that news of losses might have on their credit standing, which is among the highest of any banks in the world.

From a technical accounting standpoint, Swiss banks can conceal considerably more than banks in other countries, because they are not yet required to publish consolidated accounts. This enables them to pass over the results of subsidiaries.

However, the banks already report on a consolidated basis to their regulators at the Swiss Bank Commission, and they say they intend to move to public consolidated reporting over the next few years.

Government bonds take a breather

By Katharine Campbell

IT WAS a largely uneventful day in the world's government bond markets yesterday, with the US closed for President's Day and most eyes fixed on economic signposts from the Federal Reserve chairman's *Humphrey Hawkins testimony* to congress today and tomorrow.

In the UK, domestic economic data proved the main focus of the day, as a higher than expected total for bank and building society lending (M4) shaved a little off prices of gilt-edged securities.

M4 increased by an unexpected £8.4bn, against £7bn in December, betraying a slowdown in personal lending, but continued strength in lending to the corporate sector. Economists reckoned that against this background there was little scope for base rate cuts in the near future.

The benchmark Treasury bond due 2003-2007 closed down ⅞ at 118⅛ on the news. The long gilt future on Liffe closed little changed from Friday's close, at 98.00 after 98.09.

But dealers noted the market had really paid scant attention to further evidence of inflationary pressures contained in the money supply figures. They took this as a further illustration that the market moves on good news, but is sufficiently well supported by the Bank of England to lose little ground.

The Japanese market was generally quiet in anticipation of the Emperor Hirohito's funeral at the end of the week.

The benchmark No.111 bond closed virtually unchanged on Friday, at a yield of 4.865 per cent. However, short maturity high-coupon bonds gained up to 10 basis points in yield as *possible forthcoming changes* in accounting practices mean that the traditional premium of high versus low coupon stock is rapidly eroding.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-08	-8/32	10.49	10.31	10.38
		9.750	1/98	98-16	-7/32	9.92	9.74	9.90
		9.000	10/08	100-25	-7/32	8.91	8.94	9.07
US TREASURY		8.875	11/98	97-24	-	9.23	9.22	9.00
		9.000	11/18	98-08	-3/32	9.07	9.07	8.87
JAPAN	No 111	4.800	6/98	98.2047	-0.031	4.86	4.93	4.87
	No 2	5.700	3/07	108.3661	-0.210	4.83	4.86	4.80
GERMANY		6.375	11/98	96.6750	-0.025	6.86	6.82	6.68
FRANCE	BTAN	8.000	1/94	94.7028	-0.310	9.39	9.09	8.88
	OAT	8.125	5/98	93.5600	-0.460	9.10	8.90	8.47
CANADA*		10.250	12/98	99.7500	-	10.29	10.22	10.04
NETHERLANDS		6.7500	10/98	96.2750	-0.075	7.08	7.03	6.75
AUSTRALIA		12.000	7/98	89.4647	+1.237	13.93	13.89	13.02

London closing. *denotes North American morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Foreign currency control imposed on Italian banks

By Alan Friedman in Milan

ITALY'S monetary authorities, concerned at an excessive growth in bank lending, have imposed a new reserve requirement on foreign currency borrowing by Italian banks. From March 1 banks will have to hold as reserves 25 per cent of their average increase in foreign currency borrowings.

The Bank of Italy, which recommended the reserve measure to the Treasury, said yesterday that overall bank lending in January grew by 20 per cent. *This is dramatically* above the central bank's target range of between 7 per cent and 10 per cent for bank lending for 1989.

Foreign currency lending grew by an average rate of 25 per cent in 1988, reaching L42,000bn last month. Growth in the last quarter of 1988 totalled L5,800bn, or a rise of 16 per cent.

The last time the Treasury imposed a reserve requirement on foreign currency bank borrowing was in March 1987. That measure lasted for six months, but was followed by an overall ceiling.

Prof Mario Monti, an economist who is also deputy chairman of Banca Commerciale Italiana, said yesterday that the new requirement "is certainly less of a constraint than an absolute ceiling would have been." He added that the measure was "justifiable structurally as it applies the same rule to foreign currency lending as already exists in local lira lending."

The Italians are concerned that a number of institutions have been borrowing in non-lira currencies such as D-Marks, where interest rates are significantly below the lira level. These funds are then converted into lira. The new requirement will add around 1.5 per cent to the cost of foreign currency borrowing from banks operating in Italy. This may mean that Italian institutions wishing to borrow foreign currencies will now go directly abroad to avoid the higher cost.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Feb 20 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Feb 17 Index No.	Thu Feb 16 Index No.	Wed Feb 15 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (207)	924.91	+1.4	18.13	3.86	12.10	1.37	911.80	904.92	908.86	732.53
2 Building Materials (28)	1171.21	+2.0	10.86	3.89	11.33	0.33	1147.94	1135.88	1130.55	963.57
3 Contracting, Construction (38)	1691.49	+1.6	11.76	3.63	11.09	1.58	1664.90	1656.38	1656.17	1470.92
4 Electricals (10)	2686.93	+1.0	8.06	4.20	14.97	0.39	2661.01	2666.89	2687.63	2049.85
5 Electronics (30)	2089.81	+2.0	8.97	3.13	14.43	7.63	2049.23	2013.51	2034.93	1486.56
6 Mechanical Engineering (55)	495.43	+1.2	9.64	3.81	12.62	0.53	489.51	488.95	488.49	381.04
8 Metals and Metal Forming (7)	527.03	+0.7	14.56	5.59	7.76	0.00	523.16	518.25	519.23	430.65
9 Motors (17)	312.43	+0.4	10.47	4.23	11.09	0.00	311.21	308.84	310.53	276.87
10 Other Industrial Materials (22)	1521.35	+1.0	9.07	4.14	13.08	3.55	1506.17	1505.02	1527.61	1232.43
21 CONSUMER GROUP (186)	1185.54	+1.0	8.73	3.55	14.38	2.32	1173.35	1168.05	1173.01	1023.97
22 Brewers and Distillers (22)	1307.72	+1.5	9.54	3.40	13.24	0.03	1288.35	1275.07	1277.16	984.70
25 Food Manufacturing (21)	1055.50	+1.0	8.70	3.65	14.45	2.05	1044.98	1044.65	1049.57	830.12
26 Food Retailing (15)	2055.02	+1.3	8.83	3.42	14.91	8.17	2029.35	2018.77	2034.87	1996.51
27 Health and Household (13)	2154.64	+1.2	6.22	2.51	18.41	0.48	2129.29	2114.96	2119.53	1813.76
29 Leisure (33)	1592.25	+1.2	7.53	3.28	16.76	11.11	1573.72	1568.36	1570.97	1208.42
31 Packaging & Paper (17)	602.68	+0.6	9.25	3.80	13.44	0.53	598.88	597.31	596.09	500.98
32 Publishing & Printing (18)	3771.23	+1.0	8.39	4.16	14.93	3.38	3735.57	3727.23	3733.88	3434.57
34 Stores (33)	775.46	+0.4	10.95	4.47	12.01	1.64	772.48	770.59	779.90	809.73
35 Textiles (14)	519.41	+0.4	13.41	5.48	8.93	0.25	517.53	517.69	516.83	555.61
40 OTHER GROUPS (94)	1055.56	+1.0	10.01	4.10	12.28	0.24	1045.49	1044.44	1048.57	873.25
41 Agencies (18)	1253.08	+0.1	8.79	2.64	14.39	2.14	1251.91	1245.94	1214.49	1084.12
42 Chemicals (22)	1207.15	-0.3	10.61	4.37	11.35	0.23	1210.92	1206.38	1203.73	1055.97
43 Conglomerates (11)	1484.13	+1.0	10.53	4.92	18.96	0.00	1469.16	1459.20	1468.10	1164.26
45 Shipping and Transport (13)	2314.82	+1.2	8.33	3.62	15.61	0.00	2286.53	2285.62	2287.15	1809.38
47 Telephone Networks (2)	1105.07	+1.6	10.63	4.25	12.23	0.00	1087.71	1093.99	1112.89	953.61
48 Miscellaneous (28)	1472.56	+1.4	9.61	3.69	11.84	0.62	1452.06	1449.26	1450.87	1147.77
49 INDUSTRIAL GROUP (487)	1101.00	+1.1	9.48	3.79	13.05	1.48	1088.71	1083.92	1088.47	918.06
51 Oil & Gas (13)	1923.64	+1.1	9.50	5.06	13.46	0.00	1902.88	1899.32	1915.88	1743.40
59 500 SHARE INDEX (500)	1171.29	+1.1	9.48	4.06	13.10	1.37	1158.27	1153.57	1159.10	988.03
61 FINANCIAL GROUP (126)	754.52	+0.5	-	4.73	-	0.88	750.64	749.54	754.78	647.21
62 Banks (8)	756.65	+0.5	18.94	5.79	7.08	1.47	752.94	752.93	760.13	634.93
65 Insurance (Life) (8)	1046.74	+1.1	-	5.15	-	0.00	1035.53	1031.87	1037.77	957.97
66 Insurance (Composite) (7)	601.25	+0.3	-	5.20	-	0.00	599.46	594.64	597.69	496.64
67 Insurance (Brokers) (7)	1024.38	+0.8	8.55	6.34	14.62	0.68	1016.04	1018.88	1024.34	878.78
68 Merchant Banks (11)	351.82	+0.3	-	4.26	-	0.03	350.61	353.53	354.66	337.74
69 Property (53)	1306.83	+0.4	5.48	2.57	23.19	0.99	1301.26	1299.16	1309.09	1067.72
70 Other Financial (32)	387.85	+0.5	8.98	5.20	13.89	1.47	385.79	386.47	387.54	382.18
71 Investment Trusts (74)	1072.16	+0.3	-	2.85	-	1.26	1068.61	1068.01	1066.14	856.79
81 Mining Finance (2)	670.37	+0.6	9.12	3.12	12.22	0.00	666.55	666.81	664.79	432.09
91 Overseas Traders (8)	1415.68	+0.6	8.83	4.72	13.14	15.65	1407.17	1399.73	1407.78	1024.42
99 ALL-SHARE INDEX (710)	1069.39	+1.0	-	4.12	-	1.35	1058.89	1055.20	1060.25	897.74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13	Year ago
FT-SE 100 SHARE INDEX♦	2065.8	+22.9	2068.8	2045.4	2042.9	2033.8	2047.5	2049.1	2032.7	1747.2

FIXED INTEREST

PRICE INDICES	Mon Feb 20	Day's change %	Fri Feb 17	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	118.43	-0.06	119.03	0.33	2.18
2 5-15 years	136.57	-0.26	136.79	-	2.08
3 Over 15 years	150.93	-0.15	151.16	-	1.86
4 Irredeemables	177.65	+0.02	177.61	-	0.00
5 All stocks	133.87	-0.13	134.15	0.12	2.18
Index-Linked					
6 5 years	132.09	+0.36	131.62	-	1.36
7 Over 5 years	132.44	+0.68	132.53	-	0.72
8 All stocks	133.26	+0.67	132.38	-	0.74
9 Debentures & Loans	118.53	+0.04	118.48	-	1.34
10 Preference	89.73	+0.04	89.69	-	0.48

AVERAGE GROSS REDEMPTION YIELDS		Mon Feb 20	Fri Feb 17	Year ago (approx.)
British Government				
1 Low Coupons	5 years	8.97	8.96	8.92
2	15 years	8.82	8.80	9.19
3	25 years	8.74	8.73	9.18
4 Medium Coupons	5 years	10.23	10.17	9.46
5	15 years	9.26	9.24	9.48
6	25 years	8.86	8.85	9.26
7 High Coupons	5 years	10.35	10.30	9.56
8	15 years	9.47	9.45	9.56
9	25 years	9.02	9.01	9.30
10 Irredeemables		8.69	8.69	9.24
Index-Linked				
11 Inflation rate 5%	5yrs.	3.30	3.42	2.47
12 Inflation rate 5%	Over 5 yrs.	3.47	3.52	3.83
13 Inflation rate 10%	5yrs.	2.39	2.50	1.47
14 Inflation rate 10%	Over 5 yrs.	3.38	3.34	3.66
15 Debs & Loans	5 years	11.88	11.83	10.91
16	15 years	11.29	11.26	10.84
17	25 years	10.78	10.68	10.84
18 Preference		18.84	18.03	10.70

♦Opening index 2046.1; 10 am 2052.3; 11 am 2056.4; Noon 2063.3; 1 pm 2064.7; 2 pm 2065.6; 3 pm 2063.8; 4 pm 2068.7; 4.05 pm 2068.7 (a) 4.81am (b) 9.22am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.
EQUITY CONSTITUENT CHANGES: Raeburn Investment Trust (71) and Romney Investment Trust (71) have been deleted. DEBENTURE CONSTITUENT CHANGES: All stocks with under 40 million nominal amount have been deleted from the index. For list of deletions telephone: London (01) 403 0669.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	19	73	17
Corporations, Dominion and Foreign Bonds	6	3	36
Industrials	623	197	765
Financial and Properties	257	63	349
Oils	39	12	49
Plantations	1	1	10
Mines	56	17	112
Others	101	32	115
Totals	1,102	398	1,453

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price	+ or -	Net Div.	Times Covd.	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

- First Dealings Feb 20
- Last Dealings Mar 3
- Last Declarations June 1
- For settlement June 12

For rate indications see end of London Share Service

Calls in Dixons, Ex Co Louis, Cl Grp, Mowatt Rutland, Cityvision, Record Ridge, Haima, Dares Est, Beatwood, Control Secs, Conted Heg, Storngard, Bellway, Isdee, Monarch Res, A. Martin, Blacks Leis, Clifford Foods, Ratners, Black P. Put: Heical Bar, Amstrad.

LONDON TRADED OPTIONS

ROLLS-ROYCE, which rose 7p on the underlying market to 173p, stole the thunder on the London Traded Options Market yesterday, attracting 5,347 contracts – each worth 1,000 shares. Total call contracts in the stock option came to 5,326 and call to only 21.

There was substantial rolling forward of position. This lay in particular in a closing of open interest in the April 160 calls, some 2,767 calls reducing the number of exerciseable contracts by 724 to 4,062. Accompanying this was an opening of interest in the September 180 calls, which on 963 contracts showed entirely an opening of positions, from 48 contracts to 1,031.

A volume such as this in the stock option is remarkably high in relation to the underlying open interest, which started the day at 12,182 on the call side and 4,399 on the put. Despite the underlying price breaking through the 170p magic figure of the issue price of some while ago, there was little net change in open interest, the calls showing a gain of only 159 contracts on the early count to 12,182, the puts 10 contracts to 4,399. The movement from the April 160 calls to the September 180 said most about the day's business in the option, but 950 contracts in the April 140 calls brought a fall in open interest in the series of 420 contracts to 2,248, while the April 180 calls found 387 contracts, of which 287 represented an opening of interest to 1,159.

Overall turnover in the market came to 45,315 contracts, showing a recovery from day's of modest activity recently, and reaching half as *much again as last summer's* broad average. A number of electrically based stock, such as Plessey, Dixons, GEC and Racal, made major contributions to the day's turnover. Plessey alone found business of 2,628 call contracts, and no more than 203 put, though the underlying share price was unchanged at 258p. There was particular business – *more than 1,000 in each case* – in the February 240 and May 260 calls, mostly closing in the first case and opening in the second.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allid Lyons (*484)	460	36	49	64	6	13	16
	500	13	30	40	24	31	38
Brit. Airways (*195)	160	39	45	49	1½	4	4
	180	23	27	33	3½	9½	11
	200	8	15	20	11	13	19
Brit. Com (*235)	220	23	30	36	4	9	10
	240	11	17	26	13	16	20
Ultramar (*299)	294	22	-	-	17	-	-
	300	-	36	47	-	29	33
	330	8	26	34	45	47	50
Woolworth (*275)	260	27	34	41	5	11	15
	280	11	23	31	14	19	24
	300	5	14	20	30	32	35
[illegible]							

Option		Calls Mar.	Calls Jun.	Calls Sep.	Puts Mar.	Puts Jun.	Puts Sep.
Barclays (*455)	420	45	47	57	6	8	13
	460	78	82	92	2	10	12
	500	5	9	14	63	63	65
Blue Circle (*533)	420	118	122	128	1½	4	5
	460	78	82	92	2	10	12
	500	44	54	66	0	10	24
British Gas	160	10	24½	26½	½	2½	4
[illegible]							

UK COMPANY NEWS

Vickers tops forecast with £69.8m

VICKERS, the engineering group, yesterday produced preliminary pre-tax profits for 1988 ahead of expectations at £69.8m, an 12 per cent increase on the previous year.

The profits increase from £62.6m was achieved despite the appreciation of sterling, which had an £14m adverse effect on a year-on-year basis. However, Vickers said that without its programme of currency hedging, the effect on profits would have been £15m greater.

The Rolls-Royce motor cars division reported an increase in profits, despite the adverse currency shift and Sir David Plastow, the chairman, said that Rolls-Royce sales in the US rose in contrast to the experience of many other European luxury car exporters. The Bentley Turbo R had been successfully introduced into the US market.

In the defence and aerospace division, the company is producing a batch of prototype Challenger 2 tanks for the Ministry of Defence. Vickers said it was confident that the Government would place a production order before the end of the year. It added that potential overseas business would comfortably exceed in value the prospective order for the British Army.

Howson-Algraphy, the lithographic printing plates and snpplias division, also increased profits and has commissioned a fifth reel machine at the Leeds production plant which will be a major addition to capacity.

The medical equipment division, which produces baby incubators and monitoring equipment, increased profits despite weak demand in the early part of the year.

The only division where profits fell was marine engineering where the company suffered from harsh competition in the propulsion equipment market. However, Vickers said the division's order book had improved.

During the year, the company sold its furniture division, mainly to a management team.

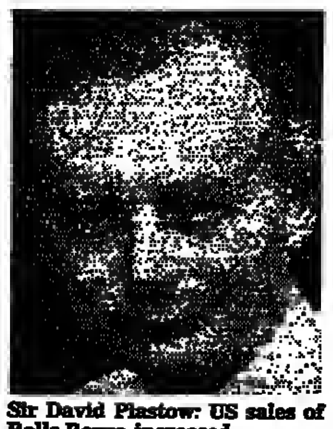
Operating profits were £76m (£69.5m) with profits from related companies of £1.2m (£1.4m) and interest payable of £7.4m (£8.3m). Earnings per share were 19.3p (17.4p) and the final dividend was a recommended 4.6p (4p), making a total of 7.5p (6.7p).

PROFITS AND SALES BY DIVISION (£m)

	1987		1988	
Motors	186.2	21.6	205.3	23.2
Printing Plates	155.3	18.5	180.8	20.4
Defence and Aerospace	136.9	12.4	120.5	15.6
Medical	57.0	5.5	68.7	6.9
Marine Engineering	87.4	3.3	75.8	1.7
Other activities	14.6	3.0	28.4	7.2
Continuing activities	637.4	64.3	679.2	75.0
Discontinued activities	150.9	5.2	97.0	1.0
Operating results	788.3	69.5	776.3	76.0

● COMMENT

These were obviously good figures from Vickers, and the market looked particularly perverse in knocking 2p off the shares. Bnt the company is now hinting at using its very strong balance sheet to go for a major acquisition, and its record here – in furniture, Swedish marine engineering and US medical equipment – does not wholly inspire confidence. In addition, the market is gradually realising that the recently confirmed tank contract, while excellent for trading, makes the company much harder to bid for. Indeed, Sir Ron Brierley's stake may end up a threat to the share price rather than a promise. On the other hand, a share price of 189p represents less than 10 times likely earnings this year, assuming pre-tax profits of perhaps £75m. This looks if anything on the cheap side, particularly given that ths company's spread of interests makes it unusnally proof against an economic downturn.



Sir David Plastow: US sales of Rolls-Royce increased

Goldberg warns on profits as Christmas sales disappoint

By David Waller

A. GOLDBERG & Sons, the Glasgow-based stores group in which Charterhall has built up a 29.9 per cent stake, yesterday warned that group results for the year to March 25 were "unlikely to show a profit".

The company blamed the reversal – from a comparable pre-tax profit of £2m in the previous year – on "a dramatic reduction from anticipated sales levels" over the key Christmas trading period.

Mr Mark Goldberg, chairman, denied that the announcement meant that the company was now vulnerable to a takeover bid. He said that Goldberg had already reacted to the depressed market conditions, by cutting overheads to the extent of £1.5m a year and agreeing to buy the Personal Contact Group, a clothing design and sourcing company.

This, he claimed, would give Goldberg the edge over its competitors, and help it return to previous levels of profitability during the next financial year. The initial payment is £1.1m in cash and loan notes with further payments of a maximum of £4.9m based on performance between now and 1993.

Charterhall, the former oil company headed by Australian businessman Mr Russell Goward, said that the announcement was not surprising, but disappointing nevertheless. Shares in Goldberg dropped 6p to 194p.

Mr Goldberg argued that his company was not alone among retailers in feeling the impact of high interest rates on consumer spending, combined with intense competition on the High Street.

However, he acknowledged that the young fashion market served by the company's Wrygges outlets had been hit harder that most market sectors – particularly those 25-30 stores opened over the last year in the south of England.

The policy of expanding out of Scotland followed the disposal of the company's consumer credit arm last May for £5.9m. In November, interim pre-tax profits were halved to £344,000, reflecting the move out of financial services.

At the time, Mr Goward had suggested that Christmas sales might make up the lost credit card profits for the full year. "You can never rely on Santa Claus," Mr Goldberg then said. He admitted yesterday that the timing of last year's expansion had not proved propitious.

PCG specialises in designing clothes for the young people's market; last year it made pre-tax profits of £307,000 on turnover of £9.2m.

Charterhall, which first emerged as a shareholder in August 1987, said that there were "substantial untapped reserves of potential" in the company. Meanwhile, it was keeping its options open.

ChemEx dismisses its broker

By Vanessa Houlder

SHARES IN ChemEx International, a start-up company traded on the Third Market, were suspended yesterday after the company sacked T C Coombs, its sponsoring broker.

The dismissal followed the announcement that Medirace, a third market company which is also sponsored by T C Coombs, had built up a 25.3 per cent stake last week. ChemEx yesterday described this stake as "unwelcome".

Mr Harry Bradbury, chairman and chief executive of ChemEx, said that T C Coombs had a conflict of interest because it sponsored both ChemEx and Medirace. He declined to comment on ChemEx's relationship with the broker in the past.

T C Coombs said yesterday that it had trodden a "very neutral and very cautious" path between the two companies. It understood, however, why ChemEx was concerned about a potential conflict of interest, it said.

Mr David Lees of Medirace said that his company was a passive, long term investor. "At this stage, there is no interest in moving to a full bid," he said.

Medirace had no intention of contributing to the business or having a representative on the board. The price paid for the shares, at 45p, was considered inexpensive, he said.

ChemEx said it was taken by surprise by the purchase and it was still unaware of the intentions of Medirace as a shareholder. A telephone call from Medirace on Friday evening provided its first contact.

In a letter to shareholders published yesterday, ChemEx said that Medirace "will not be able to assist" in its development. There was no overlap between ChemEx's business, which is involved in chemical analysis of the environmental industry, and that of Medirace, which researches treatment for Aids and cancer, said Mr Bradbury.

Medirace bought its shares in two tranches, acquiring 14.7 per cent of the company on Wednesday and a further 10.5 per cent on Friday. T C Coombs said that the shares were bought from a number of institutional and private clients.

ChemEx's shares, which were valued at 33p at the start of last week were suspended at 48p.

ChemEx also announced yesterday that it was in talks "with an internationally known and respected company in the environmental industry with a view to an association which will directly enhance shareholder value." Mr Bradbury said that the talks were "at a reasonably advanced stage" but declined to comment further.

Normans sells Freezway chain

By Vanessa Houlder

Normans Group, discount retailer, yesterday announced the sale of Freezway, a Scottish chain of freezer shops, for £2.46m.

The decision to withdraw from frozen foods in Scotland follows an increase in competition.

Normans is selling 24 freezer shops and the leasehold of its Grangemouth cold store to Farmfoods, an Aberdeen-based company. A further five stores will be disposed of separately.

Freezway incurred a loss of £28,000 on turnover of £7.02m for the six months to October 1. The assets being sold are valued at £1.54m.

Abdullahs leave Evered after boardroom conflict

By Nikki Tait

THE ABDULLAH brothers, who last month announced that they planned to resign from the board of Evered Holdings, the quarrying and building materials group, have left the company substantially earlier than expected.

Although their departure – originally expected in June – was officially presented as amicable, no secret was made of the fact that there had been boardroom differences.

Asked whether the early departure was at the brothers' or the company's initiative, Mr Roy Kettle, who took over as chief executive, said that it was "six of one and half a dozen of the other." The "limbo" period, he added, was "perhaps not as comfortable as they thought it could be."

The Abdullahs took control of Evered in 1981 and turned it into one of the more aggressively acquisitive mini-conglomerates of the early eighties.

Mr Kettle said yesterday that the brothers would be taking up a sub-lease on some of the office space previously occupied by Evered in Guildford, bnt that he had no further knowledge of their plans. Evered itself is in the process of moving its head office from Guildford to Solihull.

Optim beats its placing forecast with £506,000

In its first resnlts announcement since coming to the Unlisted Securities Market last July, Optim Group, computer systems company, reported taxable profits up 48 per cent at £506,000 for the year to the end of October 1988.

Turnover was 28 per cent higher at £10.06m, against £7.86m. After tax of £34,000 (£8,000 credit) earnings per 10p share came out at 5.06p (4.42p). No dividend is being proposed, as announced in the prospectus.

The results were ahead of the forecast made at the time of the placing. Mr Michael Brennan, managing director, said the present year had started well with strong trading in the first three months.

During the period Optim set up a new division following the purchase of LPR Office Supplies (Herts) and JPR (Office Equipment).

Green Property virtually static at £1.17m

Green Property, the Dublin-based property investor and developer, reported virtually static pre-tax profits for 1988 at I£1.42m, or £1.17m sterling. This compared with the I£1.4m for 1987. However the net asset value at December 31 1988 was 197p, as against 144p previously.

The increase in net rents to £2.29m (£2.08m) and the credit from related companies of £42,000 (debit £3,000) were largely cancelled out by a drop in operating income to £110,000 (£158,000), an increase in administrative costs to £515,000 (£479,000) and the lifting of interest payable to £406,000 (£259,000).

After tax of £592,000 (£557,000), earnings worked through at 6.48p (6.6p). A final dividend of 2p (1.9p) making 3.1p (3p) is proposed. There was no extraordinary tax credit this time (£610,000).

Racal Telecom car phone link

By Hugo Dixon

RACAL TELECOM, the UK mobile communications group, has taken a stake of around 15 per cent in a consortium which is bidding for a car phone licence in West Germany.

West Germany will not award the licence to compete against the state-owned Bundespost until later this year. However, competition for the licence will be extremely stiff, because the winning consortium is expected to be able to make large profits out of it. British Telecom, for example, is expected to join a rival consortium.

Racal Telecom has four other partners in the consortium. BMW, the German car manufacturer, and Veba, the German industrial group, will lead the consortium with a stake of about a third each.

Bell South, one of the US "Baby Bell" telecommunications groups, will have a stake of around the same size as Racal Telecom. Cofira, a French cellular operator in which Racal Telecom has a 4 per cent stake, will hold the remaining shares.

Racal Telecom believes its stake in the consortium will be large enough to consolidate for accounting purposes, if it is successful in winning the licence.

BAA pays £8m for Scottish Express

BAA, formerly British Airports Authority, has bought Scottish Express, an international freight forwarder, from Laird Group for £8m in cash.

In addition to a road distribution network with depots throughout the UK, Scottish Express provides aircraft handling services at three Scottish airports.

In 1988 it made pre-tax profits of £470,000 on turnover of £18m. Net assets were £2.4m at December 31.

The disposal reflects Laird's decision to concentrate resources on core businesses supplying automotive body seals and building products, together with growing interests in printing and packaging.

Mr Jeremy Marshall, BAA chief executive, said his group had been trying since privatisation to increase its involvement in the cargo business, particularly in air cargo. "The acquisition of Scottish Express marks the company's entry into a new and exciting business with excellent growth prospects and close connections to our core airport business."

Nav rises 17% at European Assets Trust

Net asset value of European Assets Trust NV over the twelve month period to December 31 1988 rose by 17.1 per cent from 159.7p to 187p. Net income was up from Fl 3.14m to Fl 3.4m (£0.93m) and earnings per share were Fl 0.14 (Fl 0.13).

Total income for the year was Fl 4.14m (Fl 4.25m). It is proposed to maintain the full year's dividend at Fl 0.12 per share, with a final payment of Fl 0.08.

Castletown Press improves 26% to £66,000 midterm

Castletown Press, the Third Market-traded manufacturing stationer and printer based in County Kildare, achieved a 26 per cent rise in pre-tax profits from I£63,711 to I£80,207, or £65,868 in sterling for the six months to December 31.

This result came from turnover increased from £523,823 to £432,782.

Interest receivable this time increased to £8,218 (£5,529) and tax fell marginally to £16,746 (£16,775).

Earnings per 10p share worked through at 5.19p (4.37p), and the interim dividend is maintained at 2p.

Temple Bar improves to £5.5m

The Temple Bar Investment Trust reported net assets per share at October 31 1988 increased by almost 10 per cent from 235.17p to 258.37p net of prior charges at market value.

Attribntable profits for the 12-month period to October 31 rose from £4.2m to £5.5m after a tax charge of £1.92m (£1.59m).

The recommended improved final dividend of 5.3p (4.31p) makes total for the year of 8.5p (6.95p) and derived from earnings per share np from 7.414p to 9.854p adjusted.

Oce (UK) rises 71% to £7.19m

Profits before tax of Oce (UK), a wholly-owned subsidiary of Oce-van der Grinten of Tha Netherlands and formerly known as Ozalid Group Holdings, rose 71 per cent from £4.21m to £7.19m for the year to end-November 1988. Turnover expanded from £61.66m to £70.77m.

Laing Properties

Chelsfield, the private property group, has acquired a further 325,000 shares in Laing Properties taking its holding to 4.21m shares (7.21 per cent).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Ewart, Isotron, Peters (Michael), Really Useful.

Finals- Capital & Counties, Continental & Ind Tst, Cresta, Nat West Bank, Yorkshire Chemicals.

FUTURE DATES

Interims-

Benson	Feb. 24
Benchmark	Mar. 21
Chambers & Fargus	Feb. 28
Dolphin Packaging	Apr. 6
Galliford	Mar. 8
Kleinwort Benson Int Inc	Mar. 2
Lucas	Mar. 20
SWP	Feb. 22
Thorntons	Feb. 27

Finals-

AMS	Feb. 28
Appleyard	Feb. 27
BPP	Feb. 27
Beauford	Mar. 16
Campari International	Mar. 1
Christies International	Mar. 21
Clinton Cards	Apr. 4
Cookson	Mar. 22
Freeman	Mar. 2
Instem	Mar. 8
Macfarlane (Clansman)	Mar. 30
Norton	Feb. 27
Persimmon	Mar. 6
Pittard Garner	Mar. 2
Rue Estates	Feb. 28
STC	Feb. 28
Sandvik Aktiebolag	Mar. 9
Yelverton Inv	Feb. 23

GrandMet's Greek talks

By Lisa Wood

GRAND METROPOLITAN, the UK food and drinks group, yesterday confirmed it was seeking a "strengthening of relationships" with Metaxa, one of Greece's largest drinks groups.

GrandMet declined to elaborate on whether it was seeking to acquire Metaxa or form joint ventures with the privately-owned company which owns Metaxa brandy. Metaxa brandy, according to Impact International, the research organisation, is the 58th largest brand in the world and the largest selling duty-free brandy – as distinct from cognac – brand.

Metaxa is distributed in the UK and in some other parts of Europe by Intermarken, a joint venture between Mataxa and Underberg, the privately-owned German drinks company.

Industry observers said that GrandMet would find attractive both the Metaxa brandy brand and the company's joint ventures in markets including West Germany where its own presence needed to be strengthened.

Robertshaw takes 15% stake in Hicking Pentecost

By John Thornhill

HICKING PENTECOST, the Nottingham-based knitwear manufacturer and dyer, has found another admirer.

A parcel of shares, nearly 15 per cent of the total, has changed hands for the second time in less than a month.

Robertshaw Holdings, a private property devslopment company run by Mr Stuart Robertshaw, a Yorkshire businessman, is the latest to buy a significant stake. Robertshaw has purchased 946,000 shares, 14.83 per cent of Hicking Pentecost's share capital, for 89½p a share.

Parkfield Group, the industrial holding company, confirmed that it had sold 98.6 per cent of its 15 per cent shareholding in Hicking Pentecost on February 13 at a small profit.

Parkfield picked np tha shares earlier this month when Telfos Holdings, the diversified engineering group, sold its 19 per cent stake.

A spokesman for Robertshaw said the purchase was a strategic investment and declined to comment on whether it would lead to a bid. "We are keeping our options open," he said.

Last year, Mr Robertshaw was involved in an abortive attempt to acquire Gnome Photographic Products, the Cardiff-based overhead projector maker.

Mr Stephen Hyde, Hicking Pentecost's chairman and managing director, said yesterday: "I cannot see any benefit to our company from him (Mr Robertshaw) being a major shareholder."

Mr Hyde said he had received a formal notification of the purchase last Friday, but it was not until yesterday that Mr Robertshaw had contacted him. Mr Hyde said he had arranged to meet Mr Robertshaw later this week.

Commenting on the recent spate of share transactions, Mr Hyde said: "We are getting on with managing the business. It is making encouraging progress and we have some interesting developments under review."

Hicking Pentecost's share price firmed by 5p to close at 94p, giving a market value of £6m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Ashtead Group § ......int	0.65	Apr 6	0.55*	-	2*
Castletown Pr Φ ......int	2♣	-	2	-	5
Euro Assets ......int	0.08☆	Jun 2	0.08	0.12	0.12
Green Property ......fin	2♣	-	1.9	3.1	3
Terry (EW) ......fin	16‡‡¥	Apr 14	16	30	23
Temple Bar Inv ......fin	5.3	-	4.31	8.5	6.95
Throgmorton Dual....int	2.25	—	2	—	6
Vickers ......fin	4.6	-	4	7.5	6.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ΦThird market. ♣Irish currency. ‡‡South African currency. ¥Gross throughout. ☆Dutch currency.

UK COMPANY NEWS

Gnash! Capers in the children's cartoon character camp

Andrew Hill sketches in the financial details of, say, Dennis the Menace's journey from his creator's pen to wider fame on a T-shirt front

IMAGINE OWNING a warehouse full of unsaleable Cabbage Patch Kids and you have a fair idea of the nightmares which can confront a character merchandiser.

Character merchandising – the licensing and marketing of fictional characters – is emerging cautiously from s recession.

Two or three years ago, merchandisers were marketing a host of indistinguishable characters, in an attempt to imitate the Cabbage Patch dolls and the successful spin-offs from the Masters of the Universe science fiction cartoon. Children got hored with the copycat toys; character merchandisers and toy-makers got their fingers burned.

Recently, however, holding compsnies such as Mosaic Investments have heen attracted into the market by the high margins geoerated in the licensing business. Other quoted companies, like Splash Products, have expanded from a specialised base io the little-known industry.

Some groups, like Coats Viyella sod Pesrsoo, which owns the Finsncial Times, already operate merchandising arms as offshoots of their textiles and fine china interests, while Peotos, for example, owns licences to print characters on posters and greetings cards through its Athena subsidiary.

There are two elements to character merchandising and licensing.

Like an institutional fund manager, a licensor handles a portfolio, hut whereas the fund manager deals in shares, the licensor deals in the right to reproduce fictional characters oo anything from toys to T-shirts, acting as an intermediary between the character's creator and the manufacturer.

The licensor markets that right to the manufacturer and takes a cut of the royalties demanded by the cartoonist, which could range from 3 to 15 per cent of the finished product's wholesale price depending on the popularity of the character.

At the other end of the chain is the producer, which has acquired, in Splash's case, rights to print certain fictional characters on T-shirts.

Mosaic is in the former category. It provides s sideline for Mr Gregory Hutchings, the chief executive of Tomkins, a much larger holding company. He and his family own 25 per cent of Mosiac, which, as Press Tools, moved into character merchandising last year when it bought Copyright Promotions Group. CPG markets the rights for, among others, DC Thomson comic characters like Dennis the Menace and Gnasher.

© DC Thomson & Co 1983

Dennis the Menace and Gnasher, licensed by Mosaic for printing on Splash T-shirts

Oo the other hand, USM-quoted Splash Products, which started out printing posters in 1967, covers the whole process from licensing, through manufacture and printing, to retailing. In the last three weeke it has attracted the unwelcome attentions of Astra Trust, the small engineering, property and financial services group, which has an option over 14.9 per cent of Splash's shares.

Splash claims to be Britain's biggest T-shirt printer following last month's purchase of Mobile Merchandising, from Prestwich Holdings, the consumer electronics, leisure and entertainment group. The acquisition added to Splash's portfolio of licences to print characters, who now include Garfield, the cartoon-strip cat, Roger Rabbit, the cartoon hero of Who Framed Roger Rabbit, the feature film, Wicked Willy, Asterix the Gaul, and the Beano and Dandy characters – a licence acquired from Mosaic.

But the group also makes T-shirts, and licenses and markets its own characters through Movie and Media Marketing, which was bought in 1987. To complete the process, last year Splash acquired Cerex Jewels, a chain of 16 shops in the West End, which help to sell the 3.6m T-shirts and sweatshirts printed by the group annually.

Theoretically it is only the manufacturer and the retailer which risk ending up with a stockroom full of cuddly has-beens. However, both licensor and producer rely on an ability to spot the next cult character, market it to death, and get out before the fad fades.

Splash's profits in the year to the end of October rose from £362,000 to £937,000 before tax, helped by the acquisitions of MMM and Cerex, while CPG returned pre-tax margins of 37 per cent in the 12 months to April 1987.

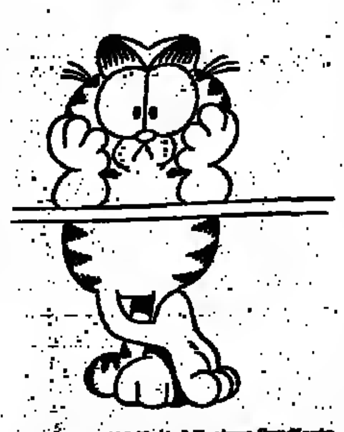
But a misjudgment in the industry can still be disastrous.

The once-ubiquitous Cabbage Patch Kids provide the most conspicuous warning that success can be short-lived. Last year the saccharine sweet-faced cuddly dolls, the best-selling toys in history at their peak in 1983, took ultimate revenge on their creators when Coleco, the US manufacturer, was forced to file for bankruptcy.

Mr Mike Dash, until recently editor of the trade magazines Liceneing Reporter and Licensed Product Marketing, says the market is already looking for the next craze.

"When it comes along everybody could jump on the bandwagon and the same thing could happen again," he says. "But my impression is that the amplitude of the swings will get less and less."

Both Splash and Mosaic should be protected from the worst effects of another crash. Splash can change its line of printed T-shirts quite quickly, while Mosaic would not be faced with the problem of offloading unwanted stock and has a supportive range of other interests from industrial products to consumer services.



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Garfield – classic character from the Splash portfolio

In any case, Mr Dash thinks the whole industry is growing wise to the potential pitfalls.

In the US the proliferation of television channels has lessened the impact of new cartoon characters. The same could happen in the UK with the arrival of satellite and cable TV, and merchandisers are likely to consolidate by concentrating on classic characters, such as Garfield, Snoopy and the Walt Disney perennials.

MMM is already accounting for the possibility that its star character, Gordon the Gopher, designed specifically for children's TV, will lose his popularity after just three years, five if he is marketed judiciously in Commonwealth countries.

Merchandisers, like prudent fund managers, are also moving their portfolio of licences away from the fickle children's market and towards the broader and more stable fields of corporate merchandising and the marketing of specific design concepts like the Country Diary of an Edwardian Lady.

CPG, for example, owns licences for the Worldwide Fund for Nature – formerly the World Wildlife Fund – and licenses spin-offs from Mr Andrew Lloyd-Webber's musicals, from Cats sweatshirts through to the improbable-sounding Esprit de Phantom, a Phantom of the Opera perfume.

"The emphasis will be on adult products, because people have more money," says Mr Dash, heralding a coming of age in the industry. "More importantly, their tastes don't change as quickly as children's."

COMPANY NEWS IN BRIEF

ACORN INVESTMENT Trust had a net asset value of 94.19p per share at January 31.

APV has exchanged contracts to buy Fortholders and its subsidiary, the Howard Pump Company of Eastbourne, East Sussex, a manufacturer of positive rotary lobe pumps. Net assets of the companies being acquired are £800,000.

AVIVA UK has acquired 5.8m Viking Resources shares at 58p apiece. Aviva now speaks for 19.68m (49.21 per cent).

BOOTS has acquired the 45 per cent minority shareholding in its Italian subsidiary, Boots-Formenti SPA and will now build its own marketing and selling organisation in Italy. Boots-Formenti sales for the year to March 31 1988 were £11.5m with company assets valued at £0.8m.

BREMHILL INDUSTRIES: Pre-tax profits £879,000 for year to October 31 1988, against £11,810 for 11 months to October 1987. Earnings 37.8p (33.9p pro forma). Bremhill, which trades on the market made by Granville, has acquired GEM (Construction Fastener Products) for £2.08m.

BURNS-ANDERSON GROUP has paid £800,000 for Communicaid, an employment agency based in Rugby. Consideration is being satisfied by allotment and issue of 816,328 new ordinary shares. Communicaid made £131,000 profit before tax for the year ended April 30 1988 and the assets acquired were valued at £20,000. In addition, Burns-Anderson's acquisition of Investors Planning Association was satisfied hy the allotment and issue of 1,122,449 new ordinary shares.

CHANCERY proposes to raise approximately £1.15m hy the issue of 468,000 new ordinary (about 2.36 per cent). The shares will be placed with investment clients of CL-Alexanders Laing and Cruikshank.

DUNLOE HOUSE, the Dublin-based property company, has reported pre-tax profit up from I£321,609 to I£412,243 (£338,542) for the year ended December 31 1988, on turnover np from £1.63m to £1.75m.

FLEMING INVESTMENT TRUSTS NAV's as at 17.2.89 were :- Fleming American 151.95p: Fleming Claverhouse 329.43p:Fleming Enterprise 163.95p: Fleming Far Eastern 265.04p: Fleming Fledgeling 265.13p: Fleming Japanese 279.47p: Fleming Mercantile 253.97p: Fleming Overseas 217.86p: Fleming Technology 213.55p: Fleming Universal 184.60p.

HUMBERSIDE ELECTRONIC CONTROLS is to pay np to £1.2m for Marplen, a specialist toolmaker and precision engineer for the plastic moulding and die-casting industries. In the 10 months to September 30 1988, Marplen made pre-tax profits of £155,407, after payments to directors. An initial consideration of £800,000 is to be satisfied by the issue of some 5.33m Humberside shares at 15p.

JERSEY GENERAL Investment Trust: Pre-tax profits £2.3m (£800,000) on income of £3m (£1.4m) for six months to October 31. Earnings per share were 15.7p (5.4p). There was an extraordinary £500,000 debit.

PICT PETROLEUM: Amerada Hess has exercised its option to purchase a further 2.75m shares. Amerada Hess now owns 48.46 per cent of the enlarged Pict equity capital.

SAVE & PROSPER Return of Assets Investment Trust: At January 31 1989 total net assets amounted to £61.5m. The NAV per ordinary was 289.6p before conversion of warrants and 258p treating the warrants as exercised on that date.

SAVE and PROSPER Linked Investment Trust: At January 31 1989 total net assets amounted to £54.9m. The NAV per capital share was £10.458.

TARRY (EW), Johannesburg-based trader and distrihutor: pre-tax profits for 1988 of R13.88m (£3.16m), against R8.57m last time. Turnover R284.91m (R204.65m). Earnings per 5p share 91 cents (70.9 cents). Final dividend 16 cents gross (same) to make 30 cents gross (23 cents gross).

Ashtead advances 71% to £2.42m

By Vanessa Houlder

ASHTEAD GROUP, USM-quoted plant hire group, yesterday announced a 71 per cent increase in pre-tax profits from £1.41m to £2.42m for the six months to October 31. This was struck on turnover increased by 61 per cent from £6.21m to £10.03m. The share price rose from 302p to 305p.

Pre-tax margins were maintained at 24 per cent despite the impact of Power Products and Wimpols Hire, which were acquired in March and May 1988 respectively for a total of £2.45m. These companies, which account for a quarter of the group's turnover, originally had pre-tax profit margins of less than 5 per cent.

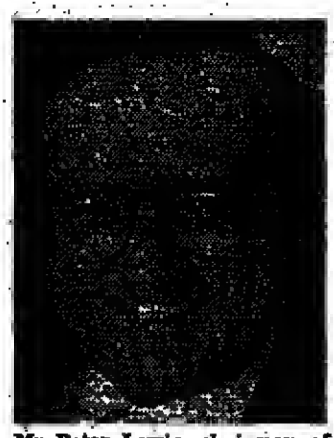
Mr Peter Lewis, chairman, said Ashtead was integrating Reliant Plant, bought in January 1989 for £5.79m, into its operational structure and he saw considerable scope for improving its pre-tax margins.

Reliant was not expected to contribute significantly to profits in the four months to April 30, due to the seasonal nature of the business. This seasonality was expected to be sharply reduced in line with established trading patterns in the group.

Earnings per share improved by 55 per cent to 10.7p (6.9p). An increased interim dividend of 0.65p (0.55p) was declared.

● COMMENT

In its two years on the USM, Ashtead has become famous for its innovative management style, impressive results and skilled presentations. Small wonder, then, that it has a devoted City following, which is happy to award the shares a lofty prospective rating of 15, (assuming profits of £4.8m this year). But the fastest climbers have the steepest falls and Ashtead's very popularity provokes some unease about how the shares would fare in the event of an industry-wide downturn. Here again, however, Ashtead puts up a good show, displaying a number of defensive points. Its management structure gives it the flexibility to cut overheads, prices and capital spending swiftly on a depot-by-depot basis. The resilience of its margins can be seen by their maintenance despite the dilutive effect of new acquisitions. Without further acquisitions, they could probably be pushed up to 30 per cent in the next couple of years – thanks to a strategy of increasing the throughput of its depots. It reckons that average turnover could rise to £1m, a sum now achieved by just seven of its 45 depots. Furthermore, with a mere 5 per cent share of the market, now estimated at £800m, Ashtead has good scope for improvement. Lastly, and perhaps most importantly, it believes that it is well insulated by its diverse customer base assuming that a broadly-based downturn is unlikely.



Mr Peter Lewis, chairman of Ashtead Group

Bridon adds to European distribution network

By Clare Pearson

BRIDON, the Doncaster-based rope manufacturer, is adding to the European distribution network for its fibre products through the purchase of the Danish company Esbjerg Tov.

Esbjerg has sold Bridon-produced agricultural twines and fibre ropes for the last few years. The company, which is being bought from Lauritzen of Denmark for an undisclosed sum, has an annual turnover of about DKr 31m (£2.5m).

Bridon says the acquisition strengthens its fibre presence in Europe following the purchase of Ostend Stores, France in February 1988.

Earlier this month, Bridon realised a profit of £21m through tha sale of its 40 per cent stake in TWIL, the UK's largest wire manufacturer.

Consortium sends formal offer for Hopkinsons

By Nick Garnett

THE CONSORTIUM interested in purchasing Hopkinsons, one of the core manufacturing companies of Hopkinsons Holdings, the Huddersfield valve maker, submitted a formal offer for the business yesterday.

The offer, sent to Hopkinsons, is worth between £8m and £12m which the consortium said was more than the break-up value of the company, less the cost of redundancy payments.

Hopkinsons Holdings announced a week ago that it was closing the Huddersfield factory following mounting losses and a labour dispute.

Mr Philip Thomas, a former chief executive of Hopkinsons, is leading the consortium which includes some managers still working at the company. It also involves employee participation.

Parkfield buys four companies for £7.5m

By David Waller

PARKFIELD GROUP, the conglomerate with interests including video and foundries, yesterday announced its second set of purchases this year, bringing the total spent on acquisitions since last October to £17m.

The Surrey-based company is now spending a total of £7.5m cash in four separate deals to boost its core activities.

The companies being acquired are: the Clarendon foundry in Chesterfield, for £2.25m; the Walsall-based Homer Pressings, for £922,000; the Phoenix Iron Works, a subsidiary of the Richards group, for £2.5m; and the wholesale video distribution business Heron Relay for £1.9m.

The purchase of Homer Pressings, a company which supplies light pressings to the motor industry, is designed to complement Parkfield's existing business as a manufacturer of chassis and wheels. The company was bought from the receiver.

Parkfield, which already claims to be the biggest operator of foundries in the UK, has now bought two more - the Clarendon and the Phoenix Iron Works - to boost capacity under the pressure of strong demand from customers.

Heron will be moved into the new offices of Parkfield's entertainments division and the enlarged business will be used as a springboard into Europe.

Last month the acquisitive conglomerate bought two companies from Glynwed International, and sold its electrical goods division for £12m.

Parkfield's shares closed down 1p at 317p.

Peek expands in US via £9m purchase

By John Thornhill

PEEK, the electronics and industrial holding group which has been built up from a shell company in the past two years by Mr Kenneth Maud, is to make its second major acquisition in four weeks.

Saratec, Peek's wholly-owned US subsidiary, is to pay up to $15.7m (£8.84m) for Transyt, a Florida-based manufacturer of traffic control systems. Peek already operates in this sector in the US and the UK through its Sarasota subsidiary, which it acquired in 1987.

Last month, Peek made an £18m recommended offer for Polytechnic Electronics, the USM-quoted company which designs and manufactures electronic navigation equipment.

Mr Ian McCne, exective director, said yesterday that the acquisition would complement Peek's core business in the traffic control industry and would enable it to market Transyt's systems in Europa.

Saratec will initially pay $8m in cash and $5m through the issue of redeemable zero dividend preferred shares.

In a separate option arrangement, Peek has agreed to buy these shares from Transyt's vendors over the next five years, either for $5m in cash or through the issue of about 5.2m new Peek shares.

The precise terms depend on Peek's share price and the rate of exchange on completion of the acquisition.

Depending on Transyt's profits in the next two years, Saratec will pay an additional $2.7m, either in cash or shares.

Transyt's vendors have warranted that pre-tax profits for 1988 will not be less than $2.5m.

Its net assets have been warranted to be at least $3.8m at completion. In addition, land and buildings, valued at $529,000, have been included in the initial consideration.

Thomas Robinson further expansion

By Clare Paarson

THOMAS Robinson, the engineering mini-conglomerate, is adding to its interests in process engineering through the purchase of T.H. Dixon, a manufacturer of coating and laminating machines, for a maximum cash consideration of about £1.8m.

The initial £1.4m payment for Dixon, which made an operating loss of £690,000 on £3.7m turnover in the year to end-June, is subject to adjustment depending on the consolidated net assets of the company on completion. These are expected to come ont at about £1.31m.

Dixon has also warranted orders of £6.4m during the calendar year 1989 which will trigger s further £400,000 payment.

Thomas Robinson says Dixon fits well with its Spooner Industries subsidiary which makes industrial drying machines frequently used in production lines alongside Dixon machinery.

Oppenheim increases stake in Bear Brand

By Nikki Tait

MR NICK OPPENHEIM, chairman of Bear Brand, has increased his stake in the company to 6.21 per cent through the purchase of a further 1.5m shares, or 1.73 per cent, over the past seven days.

The shares were bought at prices ranging from 10.75p to 11.25p a share.

Bear Brand, a small hoisery manufscturer and near-shell company, ran into problems on Friday over its proposed £5.72m rights issue as a result of opposition from three key shareholders.

Throgmorton Dual

Throgmorton Dual Trust reported net asset value per capital share of 773.5p at January 31, against 713.8p a year earlier. NAV for income shares was 37.8p (33.6p). Net revenue for the six months was £758,000 (£584,000) for earnings of 3.3p (2.54p). The interim dividend is raised to 2.25p (2p).

Wyndham in £2.5m sale

Wyndham Group has contracted to sell to Emerson Electric (UK) the freehold property known as Elgin Drive, Elgin Industrial Estate, Swindon. The price is £2.5m cash.

COMPANY NEWS IN BRIEF

BROMSGROVE INDUSTRIES has acquired Reliance Compra, a subsidiary of Hall Engineering (Holdings). Consideration for the assets, which include stocks and fixed assets, is £350,000 cash. The acquisition increases Bromsgrove's involvement in trim and graphics.

CITY SITE Estates has issued a further tranche of £15m 10.5 per cent first mortgage debenture stock 2017.

COURTAULDS has, through its subsidiary Runport, extended the offer for all the Taubmans ordinary not already owned until March 14. Acceptances have been received from about 60 per cent of ordinary shareholders for 2.06m ordinary taking Runport's entitlement to 67.6 per cent.

FIRTH (GM) Holdings is to acquire Caxton Steel, a London-based steel stockholder, for £2.01m cash, subject to a satisfactory accountant's investigation. Caxton made pre-tax profits of £53,000 in the year ended December 31 1988.

HALLS HOMES and Gardens has, through a wholly-owned subsidiary, agreed to acquire Aluminium Greenhouses and its associate company Printonia Engineering. The consideration of £450,000 cash comprises net book value of £75,000 for the fixed assets and £375,000 for goodwill.

IRISH DISTILLERS: Following acceptance by GrandMet of its offer, Pernod Ricard, through its subsidiary Comrie, owns 97 per cent of Irish Distillers and will compulsorily acquire the remaining shares. Comrie's offer closes on March 2.

KENTISH TIMES newspaper's transfer to Yellow Advertiser newspaper group will not be referred to the MMC.

LONDON SHOP: Peel Holdings has extended the cash offer for the preference shares until February 24. The final revised loan note alternative is no longer available to preference holders. By February 10 valid acceptances of the preference offer had been received in respect of 562,978 (85.8 per cent).

TR INDUSTRIAL AND GENERAL is to repay the following stocks on February 24 1989 together with accrued interest up to date of repayment:- 3½ per cent debenture stock, 4¼ per cent debenture stock, 5¼ per cent debenture stock 1992/97, 7¾ per cent debenture stock 2000-3 inclusive and 10 per cent debenture stock 2016.

WARD GROUP has purchased Essex-based Smallman Developments with a turnover of £8m for £774,000 cash.

SHARE STAKES

Changes in company share stakes announced recently include:

Arncliffe Holdings – John Govett and Co, on behalf of a client under its discretionary investment management, have bought 22,184 ordinary shares, and now holds 1.66m (33.12 per cent).

Bulgin (AF) – Stainton, Shafto and Associates now hold 164,750 ordinary as well as 89,000 non-voting in the name of Mr Stainton and Mr Shafto, and their associate, RW Wright, has an interest in 10,000 non-voting shares.

Capital Radio – Radio Investments has increased its holding to 12.1 per cent.

Dobson Park – Britannic Assurance has purchased an additional 750,000 ordinary bring its total holding to 5.9m (5.64 per cent).

King and Shaxson – Scottish Amicable Investment holds 1.32m ordinary shares (8.34 per cent) and Kuwait Investment Office has disposed of 558,950 ordinary reducing its holding to 1m (6.33 per cent).

LPA Industries – Following its recent purchase of 25,000 ordinary shares, Rights and Issues Investment Trust is beneficially interested in 478,118 shares (5.99 per cent).

London American Ventures Trust – Lloyds Bank Men's Retirement Benefit Scheme has sold 750,000 ordinary shares and now holds 5.85m (6.38 per cent).

Nash Industries – DC Newton, director, has purchased 45,000 ordinary and now beneficially holds 1.61m (18.84 per cent).

NFC – Sir Peter Thompson, chairman, has sold 12,500 new, nil-paid rights to ordinary shares at £1.19p each.

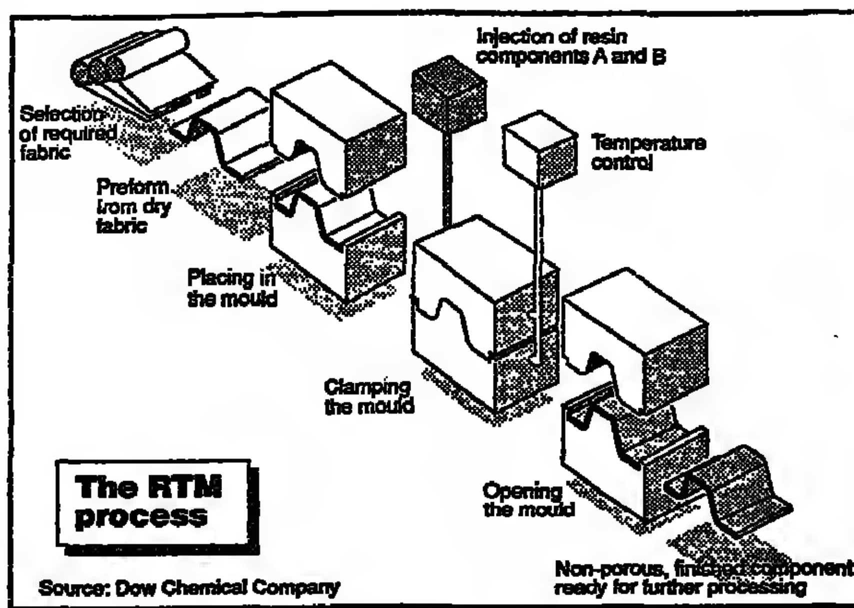
Thorpac Group – Mr Michael Antony Freedman, director, has bought 27,500 ordinary and now holds 4.09m (18.75 per cent).

Toye and Company – Saxonbest has acquired 10,000 ordinary thereby raising its total holding to 136,500 (6.07 per cent).

TECHNOLOGY

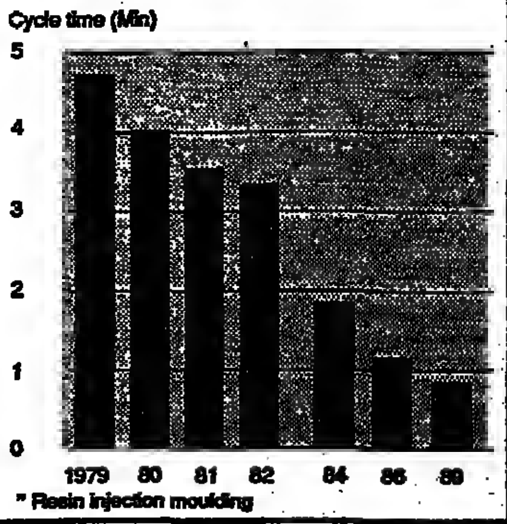
The plastic car gathers speed

John Griffiths reports on the changing outlook for auto materials



Source: Dow Chemical Company

The time taken to make a plastic component*



* Resin injection moulding

Two hours after saying that he thought a *mainly plastic-bodied* vehicle was unlikely to be seen this century, Karl Juellig was riding in one, courtesy of Dow, the US chemicals multinational.

However, Juellig had no cause for embarrassment, despite the fact that he is an executive engineer at carmaker Opel with responsibility for styling, design, product development and manufacturing engineering. For the plastic vehicle was Olympic champion Ekkehard Fasser's four-man bobsleigh, sponsored by Dow, and Juellig's ride was down the famed St Moritz run.

Juellig and 20 other senior engineers from European and US car companies were living out a sporting fantasy after 24 hours of intensive grappling with the realities of what the future holds for plastics in the motor industry.

Yet from Dow's seminar on plastics for car bodies a consensus had emerged that fantasy was increasingly merging with reality – although not at the pace that Dow and other plastics producers with a strong interest in the motor industry might like.

The seminar took place as General Motors was making final preparations for production of the GM-200 luxury "people carrier" which, badged variously as the Chevrolet Lumina and Oldsmobile Silhouette, will go on sale later this year.

"I believe that the GM-200, along with the Fiero sports car and Renault's Espace, could be the catalysts for an overall acceleration in the use of plastics in vehicles," says Michael Clark, research and development director (plastics) for Dow Europe, based in Zurich.

"Even though the GM-200 itself uses plastic panels on an aluminium frame, it is already feasible to create a complete structure out of plastic composites, on to which could be designed all kinds of complex mounting points and structural reinforcement."

The significance of the GM-200 for the plastics industry is that it is intended for production at a rate of up to 225,000 units a year – more than twice the rate attempted for any other plastic-panelled vehicle. The suspicion is growing that under the tight secrecy GM has clamped over its greenfield Saturn car project, in Tennessee, a much-expanded use of plastic composites is also intended for the early 1990s.

Nevertheless, the GM-200 will be using SMC (sheet moulded compound) for its non-load bearing panels. And Dow executives conceded during a series of presentations that yet more sophisticated uses of plastics in car body construction, particularly for the volume car industry, are still obstructed by several factors. These include, according to Johan Spoelder, Dow Europe's director of automotive development:

- the heavy investments already made by the motor industry in steel-forming capital equipment, which require a long period to be amortised;
- the further progress that must be made on processes for high volume production;
- the need for enhancement of the physical properties of some of the thermoset and thermoplastic composites;
- the environmental issues raised by the need to recycle or otherwise dispose of used vehicle plastics in huge volumes. According to Clark, "too much optimism is being expressed about the ability to recycle automotive plastics."

While there is not much the plastics industry can do about steel plant amortisation, Javier Asensio, Dow Europe's operations manager, says that Dow has made substantial progress with processes for horizontal body panels, such as bonnets. These present particular problems because of the exposure to engine heat, the potential for sag and the need for fine surface finishes.

Long fibre-reinforced epoxy is acknowledged as a suitable material, but traditionally it has required hand laying-up which is entirely inappropriate for volume production. However, at its Tagerwilen research centre, near Zurich, Dow has developed a largely automated resin transfer moulding (RTM) process which is cutting cycle times significantly (see illustration).

This involves making a preform in the shape of the component before insertion into the mould, cutting mould-insertion time from four minutes to around 3 seconds.

Thereafter, the preheated RTM tool is closed, an exact amount of resin injected and moulding completed. The Tagerwilen prototype production line should identify potential bottlenecks in larger-scale applications.

What makes RTM unique, according to Asensio, is its potential to produce sandwich body panels, using a premoulded foam core. Dow is already using this type of material on the limited-volume BMW Z1 sports car because it offers improved crash resistance and extra under-bonnet space because of the reduced need for sound-proofing. Dow is setting up a partnership with a tooling manufacturer aimed at producing RTM parts at the rate of 60,000 units per annum within the next year.

Dow is also looking to RTM for development of a fully load-bearing plastic car. With its preforming process, RTM offers the ability to place the reinforcement precisely, to use a mix of cores – such as rigid urethane – for sound-proofing and other characteristics and, crucially, to make large parts weighing up to 70 kgs.

Meanwhile, in reaction injection moulding (RIM), improvements in quality and cycle time (see chart) are holding out the prospect of lightweight, plastic body panels capable of "recovering" from dents.

More important from the manufacturing viewpoint, however, is that materials of this type, such as Dow's Spectrim, are moving close to paintability on line – withstanding long periods in paint ovens without deforming – and being produced in a cycle time of less than a minute.

Typical of progress, according to Dow, is that the cost of making a RIM bumper has halved since 1979 "and the revolution is not over yet." The first use of polyurea RIM for a main body part will be for the front bumpers of the GM-200.

At the same time, Dow is developing, with Peugeot of France, fully on-line paintable bumpers and front wings for Peugeot's 205 Gti model. Jacques Lanfranchini, director of Peugeot's plastics and composites department, warns, however, against expecting too much too soon. "We have to be able to assure management that that plastic can be of good quality, and do the job intended at the right cost. But most people are afraid – we're not getting enough management people thinking plastics." The wing-moulding project for the 205, he points out, was first begun in 1981.

Karl Juellig suggests that the reason for the more widespread application of plastics in the US motor industry is mainly one of a different cost balance between plastics and steel, compared with Europe. Opel, GM's European cars subsidiary, "has ideas about making wings in thermoplastic or RIM, and also tailgates. But I do not envisage them in production tomorrow. Four years ago we tried doing a plastic tailgate, but cost-wise it was no alternative to metal."

As for the apparent contradiction between this view and what Opel's parent GM is doing with the GM-200, Juellig argues that the GM projects are being undertaken in dedicated plants or even, in the case of Saturn, greenfield factories. "You've virtually got to have a new plant to do major plastic projects effectively.

"In Europe, we've got a number of plants, but except for the Nova one in Spain we couldn't get a clean run at a project in the numbers needed in Europe. And the two production methods simply don't mix."

Hearing implant for the deaf

BERTIN, of France, has developed electronic implant technology to the point where it can restore partial hearing to those who are totally deaf. The hearing aid, called Minimac, uses a cochlea implant which can directly stimulate the auditory nerves.

Normally the cochlea, a spiral cavity in the inner ear, transmits sound to the auditory nerves via the corti organs at the end of each nerve. These act rather like the transducers of the engineering world in that they convert the mechanical vibrations of sound into electrical signals, which go to the brain to produce hearing.

In many cases of total deafness, the corti have been destroyed and the Minimac replaces them. A multi-channel device, it feeds electro-acoustic signals to 15 electrodes connected to small groups of auditory nerve endings.

The implant which stimulates the electrodes is only 0.3 in thick. It receives signals from an aerial behind the ear which is in turn fed by cable from a control box about the size of a personal stereo set. The box is able to pick up sounds via a microphone and turn them into signals.

Each group of the ear's auditory nerve endings deals with different sound frequencies, so initially the Minimac has to be adjusted to suit the patient. In two weeks, patients can learn to distinguish between vowels and consonants and within three months can understand single words and short sentences without reading the speaker's lips.

Minimac will be supplied by an Antibes marketing company called MXM.

The case for a poor relation

ACCORDING to Butler Cox and Partners, the UK computing management consultancy, some managers must stop regarding software maintenance as a "poor relation" in comparison with supposedly more exciting activities like project development. The need becomes more pressing as the complexity of systems increases.

A report by Butler Cox, compiled from work carried out in its productivity enhancement programme, emphasises that maintenance extends the useful life of a system and maximises the investment it represents.

Staff are too keen on new developments, says the report, even though, for many companies, maintenance cost and effort exceeds that applied to new systems. Furthermore, there is evidence that staff morale improves if maintenance is organised as a separate function, rather than being lumped in with project development.

The report, Managing Software Maintenance, indicates that this area is under-managed, giving rise to problems in staff allocation and motivation. It also says that there is insufficient acceptance of modern software maintenance tools.

Ways to overcome these attitudes are explained by citing the experiences of organisations, with annual computing budgets of between £5m and £50m, which are taking part in the productivity programme.

New fields for plastic card

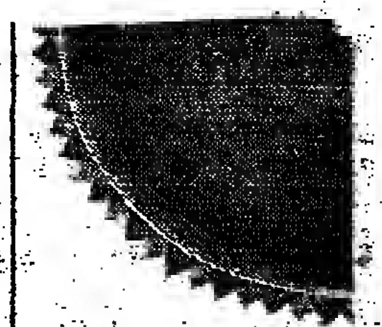
APPLICATION Systems, a UK consultancy and software house which concentrates on the credit card industry, has developed a personal computer-based product for companies that wish to issue up to 25,000 cards to their customers.

The product, called CMS (Card Management System), runs on an IBM PS/2 80-111. It can be arranged to suit most requirements and can come into operation within a few weeks.

CMS is similar to credit card systems based on mainframe computers. It can deal with the opening of accounts, issuing of cards, customer inquiries, processing of merchants' data, the production of statements for card holders and merchants, and similar activities. The software is available in English or German at present, but other languages are planned.

The company claims that CMS can deal with a customer inquiry or authorisation request in less than a second. It can sort and record 1,000 transactions in about two minutes, and processing statements for all the accounts takes about an hour, excluding printing time.

Applications Systems believes that, to date, the high cost of installing computers and software has been a serious disincentive to entering the card market.



WORTH WATCHING

Edited by Geoffrey Charlish

A comeback for the canal

AFTER a gap of 84 years, a new canal may be built in the UK. A feasibility study is to be carried out by British Waterways for National Power, the larger of the two generating companies to be formed through the privatisation of the CEGB (Central Electricity Generating Board).

Where delivery speed is not important but large loads have to be carried on a continuous basis, canals are very cost effective since little energy is used in what is an almost frictionless system compared with road or rail.

The canal route to be studied is between British Coal's Gascoigne Wood site and Eggborough power station, in North Yorkshire. Up to 5.5m tonnes of coal a year could be carried over the five-mile link.

British Waterways will study the route, construction and operation. Activity at the power station end will be examined by National Power and at the Gascoigne Wood end by British Coal.

Loading would probably be done by automated conveyor. Unloading might involve removing the barge from the water and emptying it by tipping, as at Ferrybridge power station where a similar canal terminates.

CONTACTS: MXM: France, 93 331413. Butler Cox: London, 831 0101. Application Systems: UK, 0252 625919. British Waterways Board: London, 262 6711.

MANAGEMENT: The Growing Business

Waiting for the rice kettle to come to the boil

Whole Earth is at last poised to take advantage of Britain's eating revolution. Christopher Parkes reports

Craig Sams, managing director of Whole Earth Foods, founded his business career on the prediction that British eating habits were destined to change. He correctly forecast that consumers' concerns with well-being would turn them away from conventional processed foods to a more "healthy" diet.

The snag was that his timetable for the brown rice revolution was almost 20 years awry.

But Sams proved patient. With a modicum of compromise, several changes of name and the occasional fumble, he has since attuned his company's policy to the needs of mass market consumers and the demands of retailers.

As a result Whole Earth's position in the food chain has been shifted from its lowly origins in dusty grain shops and a narrow market niche to the shelves of all the major multiple grocers.

When Sams, co-founder of Seed, London's first macrobiotic restaurant, made his forecast in 1967, he fully expected the battle to have been won within five years. With his brother, Gregory, he laid plans to storm the Kellogg's breakfast cereal bastion, ousting Rice Krispies with puffed brown rice.

Even now, although the presence of wholemeal bread, muesli, brown rice, aduki beans, organic and no-salt or sugar-free products on all supermarket shelves prove the sureness of his vision, there is still a long way to go.

But 35 per cent year-on-year turnover growth at Whole Earth in the past few years suggests the revolutionary process is accelerating as both suppliers and multiple retailers adapt to market demand.

The Sams enterprise has evolved through several incarnations. From its hippie-mystical origins as a purveyor of the yin-yang philosophy and bulk beans, under an assortment of names it has passed through various stages in retailing, wholesaling, bread-baking and manufacturing to emerge as a supplier of a wide range of branded "natural" alternatives to conventional foods made to specification by established manufacturers.

This includes dressings, sauces, peanut butter, jam, baked beans, cola drinks and, latterly, pots of "instant" organic pasta.

In common with many small food suppliers, Sams found it difficult to break into the multiple chains. In the early days, when he was Britain's leading importer of brown rice, he convinced one leading supermarket that it should stock this new line only to see the buyer turn for supplies to Whitworths, its existing supplier of polished rice.

He had a similar problem with a retailer which eagerly took his samples of Whole Earth sugar-free jam and promptly sent them off to Robertsons to be copied.

Unless the chains can be convinced of security of supply and guaranteed quality, they will always choose an established mainstream trade "name" — which is precisely what Whole Earth is becoming. "They can get very rough if you let them down in any way," Sams says.

The company now stocks and distributes its entire range from a contract warehouse operation in Wythenshawe near Manchester, after several years of *ad hoc* arrangements. All products have been manufactured to specification by specialist manufacturers since Whole Earth finally gave up processing last year when it withdrew from a joint venture with a Liverpool flour miller.

Sams had decided that manufacture was best left to experts in their fields; a flour miller, for example, was not best qualified to make jam, and the growing range of products in Whole Earth's portfolio made it impossible for the company to be a specialist in such a variety of products.

Stewart Goldstein

Craig Sams: a former hippy with a business degree

Whole Earth had evolved into a marketing organisation.

Rationalisation began in earnest in 1982, when it was decided to change the company's name from Harmony Foods to that of its most promising brand, Whole Earth, and focus most energy on the peanut butter and jam products.

Turnover dropped from £2.8m a year to £800,000, as low-margin commodity lines were dropped in favour of high-margin packaged goods, but the company was more profitable than it had been for years, Sams says. Sales are now approaching £4m, and export links have been built across Europe and as far as Japan, Thailand and Malaysia.

Even though the UK market is developing, Sams sees no point in trying to accelerate the process through conventional promotions. "Why spend on mass media to reach the 80 per cent of the population who simply don't care?" he asks.

His target customers among the relatively small proportion of the population concerned about healthy eating is in any case suspicious of advertising, he claims: "It doesn't make economic sense to try to reach people in this way."

The medium for his consumer message is the label on the jar or carton, which is packed with information about the contents and corporate philosophy. The best way to communicate with the retailer is simply, Sams says, to compete on quality, price and service. "This is the only way to deal with a multiple buyer whose career depends on the profit he makes on each metre of shelving."

For the moment, having won the goodwill of the major retailers, Whole Earth is content to let others help its market development. Sunpat, the main brand in peanut butter for example, advertises heavily. Shoppers may be prompted to stop by the Sunpat display, but they will often enough pick up the Whole Earth pot.

Whole Earth may be a long way from its roots, but it is still nurtured by its original philosophy. Sams remains convinced that a macrobiotic diet — now much relaxed — helped restore his own health which was almost wrecked by the disastrous case of hepatitis picked up on his youthful adventures in the far east.

The company's performance appears to have improved as he has balanced his strong personal commitment with the lessons of experience and the business degree he was careful to complete when he returned from his wanderings.

There has been no shortage of offers from larger companies wanting to buy him out or merge, but he resists. "This is a very fragile thing we have here and project to the consumers. There is something deeper here that would be lost if we went in with someone else."

Exporting

Familiarity breeds confidence

By Charles Batchelor

Nigel Tyers, export shipping manager of Chiswell Wire Company, has turned out the documents needed for 19 different export orders in a day and a half. Shipping instructions, invoices, packing lists, certificates of origin and insurance — the piles of paper are daunting. "Sometimes they want 10 copies of things like invoices," he says. "The banks must paper the walls with them."

For companies like Chiswell, a Watford, Herts-based wire-maker which exports more than half of its £10m-plus turnover, the mass of paperwork that comes with selling abroad is a chore but a manageable one. For some growing companies, however, the prospect of filling in all those forms may actually hamper a move to exporting.

"Someone in the pub hears a horror story about a letter of credit that went wrong so he decides not to export," says David Roots, managing director of International Software Marketing, an export consultancy and software supplier.

Anecdotal evidence like this is backed up by a recent British Overseas Trade Board (BOTB) survey, Into Active Exporting, which showed that paperwork ranked joint second as a major problem facing exporters. Also joint second was lack of information about markets and the unsuitability of their products for the market. Paperwork was perceived as the greatest difficulty by 14.4 per cent of companies polled, topped only by concerns about finance which were mentioned by 26.2 per cent.

Documentation was particularly a problem for the very smallest firms, the survey pointed out. "The prospect of administrative problems may well deter some non-exporters and passive exporters (who only make incidental sales abroad) from exporting," it noted.

The launch, in January 1988, of the Single Administrative Document (SAD), to cover all the export, transit and import documentation needed for European Community and many third country exports, was a step towards simplifying export procedures. The SAD replaced more than 100 national documents required for customs clearance though in practice a single export deal might have required "only" 10 different documents.

But many other pieces of paper are still required by banks, shippers and customers and even the SAD is regarded by some as at best a compromise in the effort to reduce bureaucracy. "The SAD combines the information needed for intra-Community and third country trade," notes Alec Gates, secretary of the Institute of Freight Forwarders (IFF). "We ended up with a very complicated form which didn't achieve its purpose."

Apart from the SAD, which lists details of the exporter, his customer, the goods being shipped and the duties to be paid, the main documents required for exporting are:

- Invoices. They are a record of the goods and of the terms on which they have been shipped, though, unlike invoices used for a domestic delivery, they will not trigger payment by the customer in many countries.
- Certificates of origin. In many markets the invoice fulfils this role but special certificates are required by some countries — in Africa, the Caribbean and the middle east — stating the country of origin of a shipment.
- Bills of lading. These act as confirmation from the shipper that the goods are in "good order"; set the terms under which the shipper carries the consignment; and establish title to the goods. By withholding the bill of lading the exporter can prevent delivery taking place until payment has been completed.
- Documentary letters of credit. A means of arranging for payment which is of particular use with new customers or in less stable parts of the world. Provided you insist the letters are irrevocable and confirmed this should represent a cast-iron guarantee that you will be paid.

Letters of credit have entered the demonology of exporting because the customers' banks insist, sometimes pedantically, on every detail of the wording matching the information contained in invoices and other shipping documents. One survey showed that no fewer than 60 per cent of letters of credit were returned by banks when they were first presented.

- Bills of exchange are an alternative means of arranging payment. Unlike a letter of credit, which may mean the customer pays before receiving the goods, a bill of exchange results in the exporter granting credit to the customer, while at the same time ensuring the bill is eventually paid.

Dealing with this mass of documents is time-consuming, expensive and, because much of the work is repetitive, can lead to mistakes being made.

One answer to this problem is to hand the paperwork over to a freight-forwarder, who is a specialist in arranging overseas shipments. He will typically charge between 2.5 and 5 per cent of the total freight costs for his services.

"We take the view that the exporter does not need to know everything at the start," says Brian Burke, head of export services at the London Chamber of Commerce. "They just need to know enough to buy certain services from a bank or a freight forwarder economically and confidently."

Another solution is to computerise export administration. Several export documentation packages are available including SPEX, a system which has been developed by SITPRO, The Simpler Trade Procedures Board, a Department of Trade and Industry-backed agency.

Nigel Tyers estimates that he has saved on average 33 hours' work a week since he computerised his export administration. The time taken to handle individual export contracts has fallen from 45 minutes or more to just 10 minutes, he says.

In theory, the burden of official documentation on exporters should be reduced when Europe creates a single barrier-free market in 1992. If VAT rates are harmonised, the need even for the SAD should be removed since sales to other community members would in effect be domestic sales. But the British government's opposition to harmonising VAT rates may prevent this happening.

The implications of the single market for the SAD and export documentation should be clearer by summer, forecasts Tony Perry, an assistant director at SITPRO. But even if the SAD is no longer necessary, export documentation will remain something of a chore for the smaller company.

As in other areas, though, familiarity breeds confidence. "Successful exporters dismissed such matters as customs procedures and export documentation as nothing more than an administrative nuisance," said the BOTB survey. "Once the learning process had been gone through they were easily dealt with by routine office procedures and the use of intermediaries such as forwarding agents."

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Coffee price fall triggers cut in export quotas

By David Blackwell

THE INTERNATIONAL Coffee Organisation cut its total world export quota by a nominal 1m bags yesterday after the indicator price fell below the 120 cents a lb defence level. Only about a quarter of the reduction will be applied immediately, however.

The cut came as delegates from producer and consumer nations met in London for the first day of a four-day meeting of the negotiating committee on the next coffee agreement. The current pact expires in September.

The markets had been expecting the quota cut after the steady fall in coffee prices over recent weeks following a sharp rally in the New Year. The May robusta contract closed at £1,123 a tonne in London last night, up £6 on Friday's close. The New York arabica futures market was closed for the President's Day holiday.

Yesterday's quota cut to a nominal 57m bags was triggered by a fall in the ICO average indicator price to 119.68 cents a lb. Under the complex quota deal hammered out last September, it will apply only to robusta coffee producers, who will lose the right to export 233,800 bags (60kg each).

The remaining 766,200 bags of the nominal cut – applicable to arabica coffee – is held in abeyance because the arabica indicator price is above its 130 cents a lb trigger level at 142.28 cents a lb. The quota deal was designed to keep more arabica coffee on the market, because it is in growing demand in consumer countries. Ironically, robusta coffee supplies are tight at the moment because of shipment problems from West African producers.

The principal of "selectivity" between the two types of coffee is near the top of the agenda at this week's talks on the future of the coffee agreement. However, consumer and producer sides have a long way to go before agreement is reached, and time is running out. The ICO Council meets in April, and delegates will want some concrete proposals for discussion.

The US, the world's biggest consumer, has said it is not interested in another agreement unless the so-called two-tier market is eliminated. It has become increasingly angry over the fact that members of the ICO have been paying more for their coffee than non-members in the Eastern bloc, who have been getting top quality coffee at much lower prices.

Today consumers and producers meet for the first time in a bid to find common ground after holding separate meetings yesterday.

Brazil relaxes regulations

By John Barham in Sao Paulo

THE BRAZILIAN Coffee Institute's new export regulations came into effect yesterday, when it opened export registers for the second quarter.

Under the Institute's new rules, exporters will only have to retain one and a half bags (60 kg each) for every bag they export. They must carry the retained coffee for 45 days. Previously they had to retain two bags for a 60-day period.

The new regulations will apply until April 7 when they are to be further relaxed. As of April 10, exporters will only have to carry one bag for 30 days. The new arrangement lasts until June 5.

The retention system is designed to help soak up excess coffee at little cost to the Treasury, since the stock must be carried by export houses. The Institute promises to make good only part of the losses to exporters should world prices fall during the period coffee is stocked.

The market had expected the changes ever since the extent of damage to the coming 1989-90 crop became clear. Lowering the retention requirements will inevitably release more coffee for export.

The market had expected a crop of 45-50m bags. But frost, followed by severe drought, reduced crop estimates to a maximum 20m bags. Analysts forecast a shortage of export-quality coffees later this year.

Traders speculate that the retention scheme may be abandoned in June when the current scheme expires.

Traders naturally welcome the changes. However, exporters at Santos, the main Brazilian coffee trading centre, said the market was still digesting the changes.

Yesterday's US Bank holiday also dampened business.

LME WAREHOUSE STOCKS
(Change during week ended last Friday)
tonnes

Aluminium high grade	−1,875	to 135,775
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Lead	+575	to 50,350
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Zinc	−2,775	to 32,425
Tin	−610	to 3,040
Silver (oz).	+40,000	to 14,434,000

Gold slide raises doubts about S. African mines

Jim Jones assesses the problems facing some operations which are already making losses

SOUTH AFRICAN concern about the slide in the gold price is rapidly turning into alarm. "It's not just a matter of riding out a temporary price setback, it's now a question of how long some mines can survive," was one Johannesburg stockbroker's comment on the increasingly pessimistic outlook for the country's gold mines.

As the price of the metal dithers around $380 a troy ounce some analysts are warning that a drop to $325 cannot be ruled out. At best, they say, the price will stagnate while world inflation remains low and investors can earn positive real returns on hard currency deposits.

At current gold prices and exchange rates a dozen major mines – East Rand Proprietary Mines, South Roodepoort, West Rand Consolidated, Western Areas, Consolidated Modderfontein, Durban Deep, Bracken, Harmony, Leslie, Stilfontein, Loraine and Blyvooruitzicht – which between them produce 15 per cent of South Africa's gold, are generating operating losses, Mr Keith Bright, an analyst with stockbroking firm Frankel, Kruger estimates. And if the gold price drops to the $325/oz level Mr Bright believes a further half dozen – Doornfontein, Venterspost, Grootvlei, Buffelsfontein, Libanon and St Helena – producing another 8 per cent of the annual total could be in the red.

No-one here believes many of the principal loss-making mines are threatened with imminent closure, but the options for some seem limited. Borrowing to finance losses is open to mines with ore reserves large enough to sustain mining until gold's next bull market. But it is not feasible for several mines with life expectancies of only than three or four years. If they fall into the red, early closure seems the likeliest course.

In recent weeks Western Areas and East Rand have both chosen the debt route to finance the capital spending needed to complete expansion projects, while East Rand last week announced production cuts in its older and poorer section and called on the state to help pay water pumping costs.

That technique is as old as mining itself. East Rand, West Rand Consolidated, Bracken and Leslie have cut labour forces and are restricting operations to their richest ore zones. It is, however, a limited option which prejudices longer-term mining.

Within the next few months West Rand Consolidated will decide whether to close its underground mine permanently. Ten years ago the decision would have been simple – in those days non-unionised black miners would simply have been laid off with little or no redundancy compensation. But since its formation, the 250,000-strong all-black National Union of Mineworkers has negotiated severance rights which some faltering mines could have difficulty paying. Moreover the mines have to contend with stringent and costly environmental restoration requirements.

The converse of the closures is that the NUM is expected to moderate its wage demands this year. Last year total employment on the country's gold mines dropped by 41,000 to around 524,000 men. And Bracken, Leslie, West Rand Consolidated and ERPM together have started to lay off another 8,000 men.

Mr Marcel Golding, the NUM's assistant general secretary, acknowledges his union's weakened bargaining position, particularly against the marginal mines. Last year the union agreed inflation-matching wage increases ranging from 13 per cent to 16.5 per cent. This year the gold mines will argue strongly against increases in the 15 to 23.5 per cent range agreed a fortnight ago by the union and the highly profitable Palabora copper mine.

State assistance, a form of negative taxation designed to help marginal mines over temporary losses, was abandoned by the Government two years ago and is unlikely to be revived.

Nevertheless the authorities are in a dilemma. The simplest way of helping the mines would be to allow the rand to fall against the dollar, lifting the mines' rand revenues and restoring their rand profits. The problem with that is the effect on inflation, currently riding from just above its recent low of 12.3 per cent. Mining costs have exceeded overall inflation rates for some years, last year working costs rose by an average of 16 per cent, and accelerating inflation could soon eliminate the advantages of exchange rate shifts.

From one point of view the rand gold price is irrelevant. South Africa's foreign debt obligations are denominated in hard currencies, with gold generating about 40 per cent of the country's annual exports.

A fortnight ago Dr Gerhard de Kock, the reserve bank governor, estimated South Africa would generate a Rs 4bn (£900m) balance of payments surplus this year if the gold price averaged $400 an ounce. That surplus, Dr De Kock said, was needed to cover debt repayments in 1990 and 1991. It is already in danger of being clipped by almost Rs 1bn by gold's drop to $380. With that in mind Johannesburg bank economists say the authorities could ill afford the gold production losses if mines are allowed to close, though they believe dollar gold prices could rise sharply if some of South Africa's larger mines are closed.

Last year South Africa produced 19.9m ounces of gold, worth $7.6bn or Rs 19bn at present prices and exchange rates. Even a small percentage output reduction could pose a major threat to the country's ability to repay debt maturing next year.

THE VENEZUELAN Government is not liquidating its monetary reserves of gold but is studying ways to raise money by pledging future delivery of gold taken from Venezuelan mines, the president of Venezuela's Central Bank said at the weekend, writes Joseph Mann in Caracas.

Mr Pedro Tinoco, who took over as Central Bank president earlier this month, said that the Government thus far had received 12 offers from international financial institutions for raising money through future operations in gold.

He added that if current plans developed successfully, the Government would deliver the first shipment under a gold-backed loan in three years. He estimated that the gold volume would be about 25 per cent of national production at that time. Venezuela is reported to have produced 17 tonnes of gold last year but production is expected to rise sharply in coming years as the new Government tries to increase export revenues.

Totting up extras in the agricultural pay cheque

Why UK farmers are alarmed at what they see as an effort to mask a sharp fall in incomes

FARMER'S VIEWPOINT

By David Richardson

MR JOHN MACGREGOR, Britain's Minister of Agriculture, touched a raw nerve when he addressed the annual meeting of the National Farmers' Union in London last week. What upset farmers especially was his plan to include all the income of farming households, however earned, in the calculation of national farm income.

For the second time in two months Mr MacGregor told a major farming conference – the first was at the Oxford Farming Conference in early January – that merely to count the difference between costs and output receipts to come up with an aggregate farm income for the nation was too narrow a calculation. And the fact that farmers derived part of their profit from outside the industry showed, he said, "that the farming community has been vigorous in diversifying its sources of income."

So far, so good: but he did not stop there and that was why the barracking started. At Oxford, for instance, he went on to suggest that as much as 44 per cent of the income of farming households came from such sources and by implication that the fall in farm incomes of 25 per cent from 1987 to 1988 was, therefore, an unreliable figure and not as serious as it seemed.

The figures were modified slightly in the agriculture ministry's review of the industry – Agriculture in the UK: 1988, published a couple of weeks ago. Quoting a survey of personal incomes conducted by the Board of Inland Revenue, the report stated that in 1986-87 less than two-thirds of total farm income came from farming and more than one-third from employment, pensions and investments.

To many farmers and the NFU this was adding the insult of recalculating the figures to the injury of a drastic drop in income. At the NFU meeting last week Mr Simon Gourlay, the union's president, left the Minister in no doubt as to how farmers felt. Following Mr MacGregor's confusing defence of his proposals, he told him: "You have fudged the issue and lost your audience."

The NFU president also said that pensions and other occupations had no bearing on the economic condition of farming.

Meanwhile, hackles have risen in rural areas at the prospect of a wife's or unmarried daughter's salary, earned away from the farm, being calculated as part of the farm's income.

Furthermore, the NFU claims that the Inland Revenue figures are spurious and include many so-called agricultural holdings which are too small even to be registered. Of the 255,000 which are registered, 153,000 (44 per cent) are judged by the Ministry of Agriculture itself to be too small to provide their owners with a full-time occupation.

This small farm sector, said the NFU, produced less than 3 per cent of total farm output. Average income from farming such holdings was just £450 per year, while income from non-farming sources averaged £9,100. These part-time farmers distorted the figures and should be excluded from the calculation, said the union.

A survey on the subject conducted by Wye College contained figures which the NFU preferred to believe were much closer to reality. This suggested that less than one-third of UK farmers had an opportunity to become involved in other gainful activity; that 70 per cent of these involved employment off the farm; and that, of the remaining 30 per cent, only half were farm-based. In other words, Wye College claims that only about 6 per cent of UK holdings have an alternative source of income which could legitimately be classified as from the land.

The arguments, therefore, are not whether but how much some farmers earn from non-farming activities, and, more contentiously, if it is fair that other earnings by members of the farming household should be included in the calculation.

To be fair, the Government would probably be justified in including income from activities like pick-your-own enterprises or farm shops selling produce from the holding. A case could also be made for earnings from such things as livery stables and the provision of gallops being called farming income, always assuming the capital required originated in the farm account.

What is not clear, however, is how activities like the provision of farmhouse holidays, should be treated. To what extent should the farmhouse be treated as part of the farm? And should the farmer's wife be able to claim what she earns from such enterprises is separate from the farm? Again, the answer may be related to the source of the capital used to set up the business.

Similarly, the original capital towards a pension fund or investments could presumably be said to be part of the farming wealth so long as they had been earned from the holding in the first place. But what if such sums had come from inheritance; and how would any capital gain be treated?

In other words, there are considerable grey areas which would take a gaggle of accountants and lawyers years to untangle. To my mind, however, where a farmer or member of his family earns money off the farm from some unrelated activity, this should not be calculated as part of the farm's income.

A recent correspondent on the subject in the Farmers' Weekly inquired: "Does this mean MPs who have other incomes from directorships or inheritance should have their incomes adjusted downwards, or if their wives work, should the country pay them less?"

Needless to say, the debate has become emotional. It is, therefore, important to understand that the whole affair is over a paper calculation of average income on which the Minister can base future policy. He has not actually threatened an individual means test, although from some reactions one might think he had.

Behind all of the emotion, however, is the fear that fiddling with the figures will be used to mask the reality of agricultural recession. Yes, of course, some farmers try to earn extra income if they are able. I even earn the odd crust myself from writing articles like this. But that does not alter the fact that it has become very difficult indeed, if not impossible, to make a profit from a growing number of farm commodities using normal farming assets.

Neither does it counteract the run-down of essential investment in machinery and buildings – now 40 per cent less than its average level over the past ten years. Outside earnings may enable a limited number of farmers to maintain a reasonable standard of living. But only the very rich or very stupid would pour outside cash into enterprises which consistently lose money, and the fabric of the industry is beginning to fall apart.

One farmer in Mr MacGregor's own constituency of South Norfolk summed up the strength of feeling on the matter the other day. "I have voted Conservative all my life," he said, "but, if he starts playing those kinds of games, he won't get my vote again."

It will be interesting to see how many farmer voters in Thursday's by-election in Richmond, Yorkshire, take the same decision.

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC prices on the LME continued to advance yesterday, with cash high grade metal closing at a record $2,005 a tonne. The market went even higher in early trading, before easing in a quiet afternoon. Traders said the President's Day holiday in the US contributed to the later quietness and discouraged follow-through interest. However, the market continues to be underpinned by good physical demand and tight supplies. Traders will be watching for news from Finnish producer Outokumpu, where striking workers who have halted production at the Kokkola smelter are due to meet this evening. Nickel prices closed ahead after a surprise fall of 1,230 tonnes in LME warehouse stocks. Copper stocks were also down unexpectedly.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.48-4.58q	+0.19
Brent Blend	$16.80-6.85z	+.125
W.T.I. (1 pm est)		
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$183-185	+1
Gas Oil	$140-141	
Heavy Fuel Oil	$72-74	+1
Naphtha	$165-167	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$382.50	+2.25
Silver (per troy oz)♣	594c	+1
Platinum (per troy oz)	$540.0	+3.5
Palladium (per troy oz)	$143	+2
Aluminium (free market)	$2145	-19
Copper (US Producer)	135⅝-138c	+1
Lead (US Producer)	38.5c	
Nickel (free market)	855c	+30
Tin (European free market)	£4555.0	+47.5
Tin (Kuala Lumpur market)	21.50r	-0.03
Tin (New York)	365.5c	
Zinc (US Prime Western)	69⅝c	
Cattle (live weight)†	107.89p	+0.37*
Sheep (dead weight)†	141.94p	+8.81*
Pigs (live weight)†	79.68p	
London daily sugar (raw)	$281.6u	+19.6
London daily sugar (white)	$315.5u	+17.5
Tate and Lyle export price	£275.5	+12.5
Barley (English feed)	£114.5	
Maize (US No. 3 yellow)	£132	-1
Wheat (US Dark Northern)	£121.5v	+0.5
Rubber (spot)♥	59.00p	
Rubber (Mar)♥	68p	
Rubber (Apr) ♥	68.5p	
Rubber (KL RSS No 1 Mar)	308.5m	
Coconut oil (Philippines)§	$530x	
Palm Oil (Malaysian)§	$365.0z	+2.5
Copra (Philippines)§	$380	
Soyabeans (US)	$186x	+4
Cotton "A" index	61.35c	-0.15
Woolltops (64s Super)	550p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. v-Apr/May. u-Mar/Apr. q-Apr. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	853	849	857 848
May	868	863	872 863
Jul	869	864	872 864
Sep	867	863	867 865
Dec	885	877	884 880
Mar	876	866	876 865
May	877	865	870 867

Turnover:4157 (5157) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 17: 1127.14 (1135.02):10 day average for Feb 20: 1133.66 (1131.50).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1143	1139	1159 1141
May	1123	1117	1138 1120
Jly	1095	1100	1115 1093
Sep	1085	1082	1103 1085
Nov	1075	1071	1094 1079
Jan	1072	1070	1086 1075
Mar	1068	1065	1083

Turnover-2818 (3361) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 17: Comp. daily 116.39 (115.15); . 15 day average 119.68 (120.06).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	262.00	260.60	263.00 259.60
May	265.00	265.00	268.20 264.60
Aug	264.00	265.00	268.00 264.00
Oct	259.00	259.40	261.00 258.60
Dec	257.00	256.00	257.00
White	**Close**	**Previous**	**High/Low**
May	310.00	312.00	313.00 309.00
Aug	312.50	314.00	313.00 312.00
Oct	302.00	303.00	301.00
Dec	289.00	298.00	
Mar	294.50	296.00	294.50 294.00
May	292.50	294.00	292.50 292.00

Turnover: Raw 5006 (9639)lots of 50 tonnes. White 1255 (1821).
Paris- White (FFr per tonne): May 1930, Aug 1955, Oct 1880, Dec 1860, Mar 1845, May 1846.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2000	146	181	1	42
2100	61	102	17	82
2200	14	60	89	138
Copper (Grade A)	**Calls**		**Puts**	
2600	370	281		69
2800	181	162	10	137
3000	50	84	78	254

TEA

There were 17,105 packages on offer including 6,000 offshore, reports the Tea Brokers Association. A smaller quantity of Assams was well supported at about last rates with Pekoe dusts continuing to be a strong feature. Africans again sold readily at firm to dearer prices but other descriptions proved irregular and mostly easier. Brighter liquoring Ceylons with any character also remained firm although plainer sorts tended easier. There was good general demand in the offshore auction. Brightest teas were fully firm but others declined by 2-5p. Quotations: quality NQ (130p), medium 102p (104p), low medium 83p (85p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 15,975 tonne
Cash	2135-45	2130-5	2148	2146-8		
3 months	2115-20	2125-30	2136/2110	2128-30	2125-30	28,401 lots
Copper, Grade A (£ per tonne)						Ring turnover 29,800 tonne
Cash	1693-5	1650.5-2.5	1698/1693	1698-9		
3 months	1608-9	1573-4	1617/1605	1614-5	1614-5	28,346 lots
Silver (US cents/fine ounce)						Ring turnover 30,000 ozs
Cash	588-91	587-8		588-9		
3 months	601-4	599-601		601-2		346 lots
Lead (£ per tonne)						Ring turnover 11,475 tonne
Cash	344.5-5.5	337.5-9.5	346	346.5-7		
3 months	352-2.5	345.5-6	353/348	353-4	352-3	9,822 lots
Nickel ($ per tonne)						Ring turnover 930 tonne
Cash	18700-800	18350-550		19000-100		
3 months	18300-400	18100-200	18500/18300	18350-400	18300-400	6,128 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 7,025 tonne
Cash	2060-70	2085-95	2090	2087-90		
3 months	1950-5	1950-60	1950	1950-2	1935-45	5,801 lots
Zinc ($ per tonne)						Ring turnover 9,525 tonne
Cash	2000-10	1985-90	2013/2012	2011-3		
3 months	1905-8	1865-7	1915/1890	1907-10	1890-5	11,804 lots

POTATOES £/tonne

	Close	Previous	High/Low
Apr	63.0	63.8	63.5 62.3
May	76.1	76.6	77.0 75.4
Nov	90.0	89.0	90.0 88.5
Feb	102.0	100.0	
Apr	129.8	130.0	129.7 129.5

Turnover 206 (213) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	155.00	151.20	154.50
Jun	150.50	146.50	148.50
Aug	145.00	141.00	
Oct	145.00	142.00	

Turnover 50 (343) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Feb	1533	1531	1533 1533
Mar	1608	1598	1615 1608
Apr	1660	1645	1665 1660
Jul	1463	1453	1475 1463
Oct	1572	1575	1575 1570
Jan	1595	1565	1595 1585
Apr	1585	1605	1595
BFI	1502	1495	

Turnover 346 (516)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	111.75	112.15	112.00 111.75
May	115.70	116.10	116.00 115.70
Jun	117.75	117.85	117.75
Sep	104.00	104.05	104.00
Nov	106.05	106.15	106.15 106.00
Jan	109.25	109.35	105.25
Mar	112.15	112.30	112.15
Barley	**Close**	**Previous**	**High/Low**
Mar	108.30	108.60	111.75 108.30
May	111.15	111.45	115.70 111.15
Sep	100.70	100.65	111.75 100.70
Nov	103.85	103.85	103.85
Jan	106.95	106.95	106.95
Mar	110.05	110.05	110.95

Turnover: Wheat 317 (450) , Barley 298 (107) . Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	382¼-382¾	216½-217
Opening	382-382½	215½-216
Morning fix	382.15	216.209
Afternoon fix	382.4	216.535
Day's high	382¼-382¾	
Day's low	381¾-382¼	

Coins	$ price	£ equivalent
Mapleleaf	393-398	222½-225½
Britannia	393-398	222½-225½
US Eagle	393-398	222½-225½
Angel	393-398	222½-225½
Krugerrand	381-384	215½-217½
New Sov.	90-91	51-51¼
Old Sov.	90-91	51-51¼
Noble Plat	551.4-560.55	311.2-316.35

Silver fix	p/fine oz	US cts equiv
Spot	335.75	592.75
3 months	346.25	606.90
6 months	357.05	621.95
12 months	377.15	651.95

CRUDE OIL $/barrel

	Close	Previous	High/Low
Apr	16.26	16.01	16.32 16.12
May	15.91	15.66	15.96 15.77
Jun	15.70	15.46	
IPE Index	16.02	15.69	

Turnover: 2712 (3640)

GAS OIL $/tonne

	Close	Previous	High/Low
Mar	142.00	141.50	142.00 140.75
Apr	139.75	139.00	140.00 138.50
May	138.00	136.50	138.00 136.75
Jun	136.50	134.50	136.50 134.75
Jul	137.00	135.50	136.50 135.25

Turnover 2639 (5117) lots of 100 tonnes

US commodity markets were closed yesterday for the President's Day holiday.

UN food agency rises to the challenge of wheatless bread

Diane Weathers on a breakthrough that could bring a welcome reduction in Third World import bills

THIRD WORLD consumers are in love with commercial white bread. It's convenient, comparatively cheap and a good source of energy. But if researchers with the Rome-based UN Food and Agriculture Organisation have their way, in the years ahead, bread sold in developing country food stores will be labelled "whole cassava," "whole yam" or some other locally produced product – anything but "whole wheat".

The problem is that wheat, the basic ingredient of leavened bread, doesn't grow in most developing countries and must be imported from abroad. For 1988-89, according to FAO forecasts, wheat imports into these counties are expected to rise to 70m tonnes, despite higher prices caused by the drought which reduced North American harvests. A small share of those imports – about 6m tonnes – will be donated as food aid. The remainder, however, will be purchased commercially, costing Third World countries more than $10bn, much of it going to cover the high cost of transport.

This growing demand for wheat, a boon for US and Canadian exporters, has become the bane of developing nations, especially the many low-income, food-deficit countries in sub-Saharan Africa. Not only are wheat imports cutting deeper into precious foreign currency earnings but they are also helping to drive many local farmers out of business. Strapped by archaic marketing facilities, growers of cassava, yams, sweet potatoes and other traditional crops, simply can't compete with the expertly marketed imports which can move from the wheat fields of Kansas to store shelves in Accra in less time than it takes a truckload of yams to travel bumpy rural roads to the nearest urban market.

According to one FAO study, between 1961 and 1981 wheat consumption in tropical countries increased 3 per cent annually while the consumption of roots and tubers declined by 0.5 per cent each year.

WEST AFRICAN countries are stressing the need to co-ordinate precautions against a renewed locust threat in the the 1989-90 season, reports Reuter from Dakar.

Senegal's Rural Development Minister, Mr Cheikh Cissoko, called for continuous co-ordination between the Maghreb and sub-Saharan Africa when opening a two-day ministerial meeting of OCLALAV, the 10-member West African desert locust control body.

"The present infestation (in North and West Africa) is expected to explode in May at the onset of the next rainy season," Mr Cissoko told the ministers, who are preparing for a one-day heads of state meeting in Dakar on Thursday.

Locusts, breeding on both sides of the Sahara desert, last year destroyed thousands of hectares of farmland in North and West Africa.

FAO experts believe that urban consumption has increased many more times than that, relegating the humble yam, cassava and other traditional produce, to the status of "country" foods consumed mainly in rural areas by farmers who grow their own.

For years, experts in Third World agriculture have been searching for ways to make traditional crops more commercially viable and to wean poorer nations off their growing dependency on food imports. That search inevitably lead them to explore new ways of baking bread using locally produced ingredients.

"What we had to do was figure out how you would make bread if wheat hadn't been invented," explains Mr Mortin Satin, Chief of the Organisation's Food and Agriculture Industries Services.

The biggest dilemma was finding a local substitute for wheat gluten. Mr Satin, a veteran of the Canadian wheat and baking industries, boasts he is a "man who knows wheat gluten." The substance, he explains, naturally found in wheat, forms a film over the gases released by yeast as it ferments. That in turn gives bread its "lifting power."

Other flours, although lacking in gluten, do contain starch which when cooked for a period of time in water is transformed into a thick and gooey gluten-like substance which Mr Satin suspected could function in a similar manner. After considerable trial and error and untold numbers of failed loaves, his suspicions proved correct.

Mr Satin eventually devised a fairly straightforward basic recipe which calls for first boiling a portion of the cassava flour with water and then combining the viscous liquid with the other ingredients – the remaining flour, yeast, oil, sugar and salt. He has created similar recipes using flours made from rice, maize, barley, sorghum and millet. All resulted in success, producing a tasty, sliceable and airy product containing not a grain of wheat.

The potential for reviving at least one aspect of tropical agriculture – the domestic market for local products – are enormous, FAO officials insist. Sudan, Cuba, Nigeria and Kenya have already expressed interest in trying out wheatless bread production and the FAO is searching for resources to get test projects going.

But officials also concede that the idea is more easily proposed than achieved. For one thing, developing countries will have to give more incentives to growers to encourage them to increase production for the urban market. That means vastly improving the marketing infrastructure so that farmers can better sell their produce. Millers will have to be persuaded to expand beyond the business of processing wheat and, most importantly, urban consumers will have to be convinced to buy wheatless bread.

If consumption patterns in developed countries are any indication, it won't so be easy to curtail consumer craving for food imports. The experts may say, "let them eat cassava bread." But some people may still say, "No!"

LONDON STOCK EXCHANGE

Selective demand boosts equities

Account Dealing Dates			
First Dealings:	Jan 30	Feb 13	Feb 27
Option Declarations:	Feb 9	Feb 23	Mar 9
Last Dealings:	Feb 10	Feb 24	Mar 10
Account Day:	Feb 20	Mar 6	Mar 20

"New time dealings may take place from 9.00 am two business days earlier.

THE UK money supply data for January gave UK equities a new boost yesterday, when selective buying by the institutions again caught market makers wrong-footed, bringing the best daily gain in market indices for a week. After a moment's hesitation, the equity sector acclaimed last month's money supply statistics as "further evidence of a slowdown in personal lending".

The market opened firmly, buoyed by new peaks in Tokyo, but was "running on its own" yesterday in view of New York's closure for Presidents' day. Equity turnover was not heavy and equities were led by the futures market, where the FT-SE contract maintained a healthy premium to the underlying index.

Scottish institutions were nibbling at the equity market, according to one major house. These funds have traditionally been channels for investment in UK securities from North America. The London arm of the major US brokerage house which led the late rise in the market on Friday was also believed to be active again yesterday.

The FT-SE Index jumped 22.9 to 2065.8, after touching 2068.8 at the day's peak. The Index has now rallied to within almost 30 FT-SE points of its most recent peak, reached on February 8.

Traders were somewhat surprised by the renewed rise in an equity market still regarded as vulnerable to a correction in the short term. Seaq turnover of 465.8m shares, compared with 484.5m on Friday, remained moderate by recent standards.

The equity market's initial hesitation over the UK money data was caused by the gain of £8.5bn in bank and building society lending. However, City analysts later identified this as a reflection of increased corporate rather than personal borrowing, and broadly neutral for the debate over UK domestic interest rates.

The return to domestic factors in the UK market was encouraged by other developments likely to favour equities this week. Particularly significant is the high dividend flow expected with the trading statements from the banking sector, opened today with results from National Westminster, and then from ICI, due on Thursday.

There was activity in banking stocks as securities houses set up trading positions ahead of the results season.

Bid developments are also considered possible in the near term. Minorco's new offer for Consolidated Gold Fields, widely seen as only the next step in the largest takeover move so far recorded in the London market, implies an injection of more than £3bn into the UK securities sector, much of it in cash. Analysts believe that other major bids may be pending, perhaps in the building and construction sector.

FINANCIAL TIMES STOCK INDICES

	Feb. 20	Feb. 17	Feb. 16	Feb. 15	Feb. 14	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	89.04	89.08	88.15	88.90	88.98	89.49	91.43 (18/4/88)	86.15 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.63	98.66	97.80	97.85	97.87	95.58	98.67 (25/5/88)	94.14 (19/1/89)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1698.9	1676.1	1667.2	1677.4	1675.0	1396.3	1714.7 (8/2/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	157.2	154.7	159.4	158.6	163.0	203.5	312.5 (7/1/88)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.28	4.33	4.36	4.34	4.35	4.46				
Earning Yld %(full)	10.67	10.79	10.87	10.83	10.84	11.28				
P/E Ratio(Net)(*)	11.39	11.26	11.18	11.22	11.21	10.84				
SEAQ Bargains(5pm)	29,450	23,265	25,984	25,188	27,508	24,151				
Equity Turnover(£m)†	-	1129.03	1461.67	1059.84	1408.23	894.43				
Equity Bargains†	-	26,461	28,113	23,856	31,400	28,265				
Shares Traded (mil)†	-	464.5	655.3	407.5	517.3	335.4				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1679.8	1684.5	1689.0	1694.9	1695.5	1695.8	1694.2	1697.9

DAY'S HIGH 1698.0 DAY'S LOW 1679.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 11.32 †Excluding intra-market business.

■ S.E. ACTIVITY

Indices	Feb.17	Feb.16
Gilt Edged Bargains	92.0	102.8
Equity Bargains	171.6	182.2
Equity Value	2282.1	3015.1
5-Day average		
Gilt Edged Bargains	99.0	101.6
Equity Bargains	197.6	222.5
Equity Value	2619.7	2762.1

■ London Report and latest Share Index: Tel. 0898 123001

Gloves off in Gold Fields bid

Only the timing of Minorco's new offer of £2.9bn for Consolidated Gold Fields - dealers expected it a little later in the week - gave any reason for surprise in the equity market. The terms of around £14 a share exactly fulfilled stories circulating widely in London last week. Turnover in Gold Fields was an unexciting 925,000 shares.

However, the advance by Gold Fields shares to £14.26, above the new bid terms, indicated equally strong belief that, despite firmly-worded denials from Sir Michael Edwardes, the Minorco chairman, the new terms are a sighting shot, to be followed by a higher offer after Gold Fields has produced the keenly-awaited asset revaluation.

"This is Round Two of the fight for Gold Fields," was the view of the mining analysts team at UBS Phillips & Drew (P&D). They warned that further developments could take several weeks, because of injunctions in the US against further share purchases by Minorco, as well as the need to await formal posting of the new offer. However, "we are getting down to the bare-knuckles stage now," was the parting shot from P&D.

US favour Racal

The Racal duo, Racal Electronic and Racal Telecom, were among the best performers in the electronics sector, both racing ahead on a number of bullish factors.

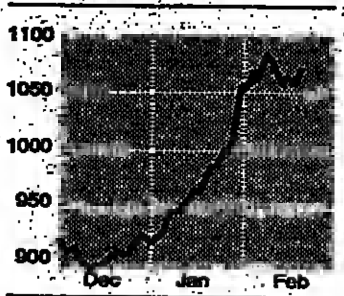
These included a specific re-rating of Racal Telecom by US securities house Goldman Sachs, and a comment from Lord Weinstock, GEC chairman, on television that UK electronics companies had no future "unless they make amalgamations or alliances with others."

Both classes of Racal shares raced up on Friday with US investors said to have been aggressive buyers of the stocks. US houses were said to have been back in the market yesterday, particularly for Racal Telecoms after Goldman took an even more bullish stance on the company's outlook.

Racal Telecom shares were finally 13 higher at 277p on turnover of 1.5m, while there was a much bigger business in Racal Electronic, which added 12 at 350p on turnover of 6.5m.

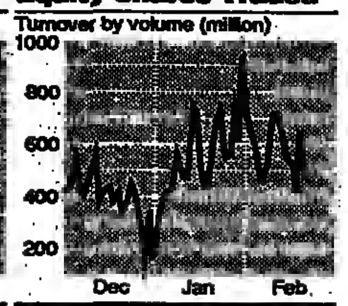
Dealers said some UK brokers were taking the view that Racal Electronic were a cheap way into Racal Telecom. But traders also emphasised the major impact that Lord Weinstock's statement on television had made on the market.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



P&O rise continues

P&O was surrounded by more speculation about an impending revaluation of its property portfolio and of a possible bid from Trafalgar House. However, neither story, nor a much-publicised suggestion that net assets per share could be worth as much as £10, gained much credence with analysts.

Mr Mark McVicar of County NatWest WoodMac pointed out that the group tends to revalue a large portion of its property interests annually and was probably a small net seller of property last year. Speculation of a net asset value of £10 is ridiculous," said Mr McVicar, who also ruled out any predatory intentions by Trafalgar House.

The shares were undervalued when the year started and, despite the rise since, still have sigificant potential, believes the County researcher. A marketmaker thought the answer to yesterday's rise in the shares, up 10 at 684p, after 690p, lay in the volume figure. This was relatively moderate at less than 1m shares, despite increased business in traded options yesterday. "It's not fashionable to sell P&O at the moment so the market is very squeezy and technical," he commented.

ICI were marked down at the start of the session and stayed dull throughout the day. Profit takers moved in following last week's good run and ahead of Thursday's full year figures and the shares ended 10 down at 1194p.

Beecham rose 5 to 590p despite some talk of a rights issue and an analyst changing recommendations from buy to hold. Both Fisons (289p) and Glaxo (1271p) rose as some dealers were caught short in the morning session. A Fisons buy recommendation helped add 7 early on and there was some talk of foreign buying in the afternoon.

Mr Ian Shelley, analyst at WI Carr, is mildly bullish on the banking sector as it enters the preliminary reporting season. Mr Shelley says the banks have not enjoyed a seasonal pre-results run since the New Year and expects the sector to outperform during the results and perform in line with the market over 1989, assuming no Latin American upsets.

The results, according to Mr Shelley, are "unlikely to disappoint," and he recommends buying the banks with the "best expected dividend growth - Lloyds and NatWest. The latter reports preliminary results this morning with WI Carr forecasting pre-tax profits of £1.375bn and a 17 per cent increase in the dividend to 28p. Mr Peter Dutton, banks analyst at Prudential-Bache, is going for £1.35bn and a net dividend of 27.7p. The market range is from around £1.35bn to £1.41bn. NatWest rose 6 to 618p.

Morgan Grenfell outperformed the rest of the merchant banks closing 7 up at 315p after confirmation that Bond Corporation had sold its 3.8 per cent stake in the company over the past week or so.

Dealers and analysts said the shares had risen strongly on the basis that there had been sizeable willing buyers for the Bond stake and that the much-rumoured possible bid could materialise. "We've been on red alert for a bid in Morgan Grenfell so many times, we've begun to take these stories for granted," said one trader.

Leading brewers were notable performers, Guinness rising 15 to 411p on favourable press comment and a stock shortage. Scottish & Newcastle, up 5 at 428p, continued to be bought ahead of next month's MMC ruling on the Elders' bid, while Whitbread "A" rose 7 to 342p after a presentation at Smith New Court.

The building and construction area contained more than its fair share of outstanding performers, with rises said to have been accentuated by many stock shortages. In the background, according to analysts and traders, were persistent stories that a £1bn-plus bid in the sector is imminent.

In the front line issues Blue Circle Industries jumped 24 to 535p albeit in relatively thin turnover of only 3m shares. Dealers reported a continuation of the strong buying evident last week which had followed "buy" recommendations from at least two leading securities houses. Redland also raced up, closing 17½ firmer at 514p following what dealers described as "quality buying."

Housebuilders were given a major boost by news that the Church family, which owns over 70 per cent of the stock, is involved in talks which could lead to an offer of 115p a share for the rest of Charles Church, the company which came to the market in the Spring of 1987 at the price the Church family may offer. Federated Housing leapt 10 to 252p.

Coalite moved up 8 to 391p after weekend Press reports that a bid could be on the way from Anglo United.

Dixons were the feature in the Stores sector. Shares in the electrical retailer fell 4 to 159p on turnover of almost 6m shares after the weekend press killed off last week's vague talk that a consortium bid was on the launchpad.

Among second-liners Summer International advanced 8 to 66p as the market awaited news of the negotiations to sell its Linguarama subsidiary, while Goldberg shed 6 at 194p after issuing a severe profits warning and revealing it will buy the remaining 50 per cent of shirt specialist Ted Baker. Dealers said the shares were supported by hopes that near 30 per cent shareholder Charterhall (22½p ex-div) might be tempted to make an offer for Goldberg in the light of the Scottish retailer's current trading difficulties.

News of slightly higher than expected full year results initially lifted Vickers a couple of points. But the shares dropped back to end 2 lower on the day at 189p as analysts took a closer look at the figures. "Turnover on defence went down while profits went up and property was not as good as expected," said an analyst.

Rolls Royce were heavily bought when the Vickers figures were released and 5.6m shares changed hand by the close. They moved up with the market, adding 7 at 173p to take them past what one dealer called "the psychologically important issue price of 170p." There is pent-up overseas demand for the stock, he said.

The electronics sector put on a convincing performance, according to traders and analysts. Cable & Wireless were well supported, helped by the performance of the dollar, with the shares up 9 at 429p. GEC also attracted sustained buying interest, closing a net 6 higher at 232p, with institutions said to have been impressed with Lord Weinstock's comments on the BBC's Money Programme. Plessey, under seige from GEC and Siemens, held at 256p despite some large-scale traded options activity.

Retailers were the focus of attention among Food stocks, with Tesco and Asda buoyed by a bullish circular from Citicorp Scrimgeour Vickers, where analyst Mr John Woolman rates both stocks a buy. At Asda, "the strategy of increasing the quantity and quality of stores is proceeding to plan," said Mr Woolman, while at Tesco, "like-for-like volume growth has improved since the interims and new stores are performing particularly well."

Tesco were also better after Hoare Govett switched into the stock from Sainsbury. "Tesco is trading a cut above the other majors at the moment," said Mr Bill Currie of Hoare, which is partly why he has raised his forecast for year-end February 1990 profits to £315m. In contrast, he has shaved £5m off his figures for Sainsbury because the group has not escaped the current difficult trading conditions; he now forecasts £405m for year-end March 1990. At the close Tesco were 4½ better at 162½p, Asda 3 firmer at 146p, and Sainsbury 1½ higher at 235p.

Some 37m British Steel shares changed hands on the back of interest from Japan and Europe. Trade was so busy "it was almost like the old days," said one marketmaker. Talk of upgradings and a possible deal with a German steelmaker, along with a stock shortage, helped the shares add 2 to 81p.

Trafalgar House moved up to 360p amid suggestions that it was selling its roughly 8 per cent shareholding in Costain. Trafalgar denied the story and the shares settled back to 347p, up a net 10 on the day, while Costain closed 7 higher at 328p. Trafalgar's firmness was helped by those in the market who regard the shares as "fundamentally cheap."

English China Clays took heart from strong performances in the building sector and ended 10 up on the day at 514p, but profit-taking in a thin market pulled Davis and Newman down 90 to 945p after last week's sharp rise.

ERF Holdings, the UK heavy truck maker, broke higher following publicity in a subscription newsletter about the company's growing market share, and the accompanying forecast that profits this year could reach £8m.

Rolls Royce took star showing in traded options, attracting 5,347 contracts - consisting of 5,326 calls and 21 puts. There were three noteable features of the dealings in the option - the almost total concentration in call dealing, a switching out of April 140 and 160 calls into April 180, and more particularly, into the September 180 calls. Overall market turnover reached 45,315 contracts, including 37,406 calls.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 24

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]				[illegible]				[illegible]				[illegible]			
Boots	225	263	+2	GUS A	210	1115	+20	Pilkington	1,800	249	+3	Tate & Lyle	943	237	+2
British Airways	3,300	194	+1	GRE	284	217	+3	Plessey	1,900	256		Tesco	2,500	162½	+4½
Brit. Aerospace	1,200	532	+8	GKN	3,000	365	-1	Polly Peck Intl	322	336	+3	THORN EMI	1,800	724	+21
Brit & Comm.	251	235		Guinness	4,700	411	+15	Prudential	7,200	171½	+2½	Trafalgar House	2,100	357	+10
British Gas	3,500	174½	+1	Hammerson "A"	55	806	+2	Racal	6,500	350	+12	Trusthouse Forte	4,400	225	+3½
British Land	2,050	349	+1	Hanson	4,100	181	+2	Rank Org.	175	918		Ultramar	1,100	298	+7
BP	2,500	274	+2	Harrisons & Cros.	210	724	-2	RMC	913	610	+4	Unilever	1,700	564	+10
British Steel	36,975	88	+1	Hawker Siddeley	399	649	+9	RHM	131	382	+3	United Biscuits	572	329	+½
British Telecom	1,600	279	+4	Hillsdown Hldgs	1,300	282	+5	Reckitt & Colman	392	1043	+8	Utd. Newspapers	487	459	+4
Burmah Oil	95	535	+7	IMI	1,200	230	+5	Redland	1,200	514	+17½	Wellcome	652	483	+7
Burton	661	288		Imp. Chem.	1,750	1194	-10	Reed International	996	442	+5	Whitbread "A"	1,195	342	+7
Cable & Wireless	1,900	429	+9	Inchcape	1,200	251	+4	Reuters "B"	255	645	+1	Williams Hldgs.	861	278	+6
Cadbury Schweppes	236	388	+2½	Jaguar	577	306		RTZ	945	516	+3	Wimpey	781	290	+1
Coats Viyella	2,850	161	-1	Ladbroke	2,100	533	+7	Rolls Royce	5,600	173	+7	Woolworth Hldgs	464	276	+2

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (180).

BRITISH FUNDS (14) BANKS (3) Allied Irish, Dai Ichi KB., Rothschild (J.), BREWERS (4) Greene King, Highland Dists., Macallan-Glen., Wolv. & Dudley, BUILDINGS (17) CHEMICALS (4) Caird Grp., Coalite Grp., Rechem Envmtl. Servs., Yorkshire Chems., STORES (2) Martin (A.), Wyevale Garden, ELECTRICALS (8) Eurotherm Int'l., First Technology, GEC, JSB Electrical, Menvier-Swain, Molynx, Pifco "A", Sanderson Elect., ENGINEERING (16) ASW, Castings, Cook (W.), Cooper (F.), Crosles Grp., Elliot (B.), Linread, Ransomes Sims, Rolls Royce, Victaulic, FOODS (3) Clifford "A", Low (Wm.), Perkins Fds., HOTELS (1) Queens Moat, INDUSTRIALS (31) AAH, Allied Part., Alexandra W'kwear, BBA Grp., Do. 6.7pc Cv. Pf., Bodycote Int'l., Boot (Henry), Burndene, Channel Express, Christies Intl., Dawsongroup, EIS, Erskine Hse. 7¼pc Cv. Pf., Fenner (H.J.), Gestetner, Hampson 8.5pc Prf., Hepworth, Hunting Assoc., Huntingdon Int'l., Jardine Hldg., Macfarlane, Meriing Ind., Morgan Crucible, Rockwood 8½pc Cv. Pf., Sthn. Bus. Grp., Shanks & McEwan, Stonegard, Swallowfield, Trafalgar House, Unilever, Wyko Grp., INSURANCE (1) Steel Burrill, LEISURE (11) MOTORS (1) Bostrom, NEWSPAPERS (4) Adscene, Blenheim Exb., Bristol Eve. Post., Mustoriin, PAPERS (6) Aspen Comms., Colorgraphic, Carlton Comms., Norton Opax, Wace Grp., PROPERTY (8) Clarke Nickolls, Herring Son & Daw, Control Secs., McKay Secs., Power Corp., Prop. Sec. Inv., Randsworth Tst., Scot. Metrop., SHIPPING (3) Bergesen d-y AS "A", P & O 6.3pc Cv. Pf., Turnbull Scott., TEXTILES (1) Tootal, TRUSTS (18) OILS (1) Monument Oil, THIRD MARKET (1) Whitegate Leis. Wrrts.

NEW LOWS (6).

FOODS (1) Daniels (S.), INDUSTRIALS (1) Tech Project Serv., INSURANCE (1) PWS, MINES (3) Gwalia Minerals, Kalbara Min., Metana Mins.

APPOINTMENTS

Chairman of Texaco, London

■ Mr Peter Bijur, vice president of Texaco Inc., has been appointed chairman of TEXACO LTD., London, the company's largest wholly-owned foreign subsidiary, from April 1. He is president and chief executive officer of Texaco Canada Inc., and succeeds Mr John Ambler, a vice president, who returns to New York headquarters to assume executive responsibility for employee relations worldwide.

■ SYLTONE has appointed Mr Mike Clewes as finance director. Mr Keith Marsden hands over responsibility for group financial control, but continues as deputy chairman.

■ Mr John Cullum has been appointed president, vehicle management services, PHH EUROPE, Swindon. He remains managing director of subsidiary PHH Allstar. Mr David Knight, client services director of PHH Allstar, becomes deputy managing director; and general manager marketing Mr Rob Whalley joins the board as marketing director. Mr Richard Nethercliff becomes vice president, vehicle management services for Ireland and continental Europe - he is a director of PHH Europe. Mr Bob Hughes is appointed executive vice president, international card services, Europe and North America. Mr Chris Cole becomes vice president, information technology services, and joins the board of PHH Europe.

■ VERNON-CARUS has appointed Mr Bruce Ash and Mr David Crabtree as joint managing directors. Mr John Hemingway, formerly managing director, continues as executive chairman, with Mr Michael Carrus as vice chairman. Mr Graham Brindley joins the board as financial director.

■ Mr Michael Phelan has been appointed managing director of STRUCTURE TONE (UK). He was a main board director of NICO Construction.

■ Mr John N. Phillpotts and Mr D. Ian Walmsley have joined the group board of ELLIS & EVERARD as executive directors. They are joint managing directors of E&E (UK).

■ TUNSTALL GROUP has appointed Mr Michael Fraser as managing director of Ademco Distribution.

■ Mr Paul Brierley, previously non-motor underwriting controller for INDEPENDENT INSURANCE, has been appointed to the new post of training manager. Mr David Radcliffe has been appointed commercial department manager - underwriting. He was regional fire and accident underwriter at Lombard Continental.

■ CIBC, London, a wholly-owned subsidiary of Canadian Imperial Bank of Commerce, Toronto, has made the following appointments in money market products. Mr John Sings, vice president, money markets, Europe; Mr Dennis F. Gepp and Mr Nicholas A. Bantin, executive directors; and Mr Martin J. Baker, associate director and chief dealer.

■ THE HONGKONG AND SHANGHAI BANKING CORPORATION has appointed Mr Guy Heald, Mr Vibhaker Baxi and Mr Robert Loewy to the bank's London treasury team. They join from Chemical Bank.

■ Mr Paul Dunningham has been appointed a director of LOVELL DEVELOPMENTS.

■ MIDLANDS ELECTRICITY has appointed Mr Peter Chapman as finance director, part-time from April 1 and full-time from June 1. He is finance director of Triplex Lloyd.

■ BRADSTOCK GROUP has purchased a controlling interest in a reinsurance broking company headed by Mr Graham Barden and Mr Tom Watson. The company has been renamed Bradstock Barden & Watson, and the directors (in addition to Mr Barden and Mr Watson) are: Mr Mark Campe, Mr Michael Matthews, Mr Robin Gibson, Mr David Plunkett and Mr Peter Cresswell.

■ At SWINTON INSURANCE, Manchester, Mr Ken Scowcroft, founder, remains chairman, while managing director, Mr Brian Scowcroft, becomes chief executive. Group legal director, Ms Janet Scowcroft, is made deputy chief executive.

■ J.P. MORGAN SECURITIES has appointed Mr Jared Chase and Mr John A. Roberts as managing directors to co-head bond-related trading in London.

Mr David Barron (*above*) has been appointed general manager of MANCHESTER BUILDING SOCIETY. He has been deputy general manager for the past five years, and a director since 1984.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Windsor Trust Mngrs Ltd (1200)F
83 Kingsway, London WC2B 6SD 01-405 8331

Combi & Equity	5	63.45	65.95	70.16	+0.41	3.39
European	5	56.86	57.46	61.13	+0.36	0.42
Far Eastern	5	55.16	55.18	58.70	+0.13	1.77
Growth	5	87.43	90.87	96.67	—	1.67
Income	5	81.80	83.55	88.88	+0.45	5.75
Property Share	5	53.88	54.98	58.42	—	1.27
Smaller Co's	5	58.79	61.77	65.71	+0.38	1.65
Formerly DBC Trust Managers Ltd						
Windsor Sel Gth Acc ♦	5	63.69	63.69	68.12	+1.08	1.92
Windsor Select Inc ♦	5	65.77	65.77	70.34	—	3.46
Windsor Sel Int Acc ♦	5	70.59	70.59	75.49	+1.52	3.46
Windsor Nth Amer ♦	5	51.09	51.09	55.50	+0.48	1.37
Windsor Intl ♦	5	40.25	40.25	43.05	+0.23	1.49

Wright Seligman Fund Mngrs Ltd (1000)H
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth	5	92.68	92.68	96.46	—	3.90

Weekly dealing day Tuesday

The Yorkshire Unit Tst Mngrs Ltd (1100)F
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602290

Yorkshire General	5¼	61.12	63.33	67.37	+0.18	3.10
YUTM UK Eqty Inc Tst	5¼	59.45	61.50	65.52	+0.61	4.53
YUTM Intl Grth Tst ♦	5¼	46.01	46.81	49.65	+0.12	1.12

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Int'l Expt Feb 15	428.8	445.3	—	—

Cent. Bd. of Fin. of Church of England
2 Fore Street, London EC2Y 5AQ 01-588 1815

Inv Fund Jan 31	492.95	—	4.71
Fxd Int Sec Jan 31	143.75	—	9.98
Deposit Jan 31	100.00	—	12.45

Charities Official Invest. Funds
2 Fore Street, London EC2Y 5AQ 01-588 1815

Income Jan 31	469.11	—	4.97
Accum Jan 31	1500.47	—	—

Edinburgh Fund Mngrs PLC
Exempt Funds

American Feb 14	119.8	123.1	-3.4	1.73
Managed Feb 14	122.2	126.8	-0.3	2.32
Japan Feb 14	137.5	141.3	+0.9	0.16
Pacific Feb 17	396.7	407.6	[illegible]	[illegible]

INSURANCES

Continued on next page

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Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	283.3	298.3	—	—
Man Pens Inc & Cap Fds	368.0	387.4	—	—
Money Fund	117.1	123.3	—	—
Pens Mngd Fd (Unit)	99.4	104.7	—	—
Pens Mngd Fd (Acc)	118.2	124.5	—	—
Pens FT30 Fd (Unit)	140.9	148.4	—	—
Pens FT30 Fd (Acc)	167.5	176.4	—	—
Pens O'seas MgFd(Unit)	70.0	73.7	—	—
Pens O'seas MgFd(Acc)	83.3	87.7	—	—
Pens Fxd Int Fd (Unit)	106.0	111.6	—	—
Pens Fxd Int Fd (Acc)	126.1	132.8	—	—
Pens Deposit Fd (Unit)	103.3	108.8	—	—
Pens Deposit Fd (Acc)	122.8	129.3	—	—

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	107.0	113.8	+1.0	—
Building Soc. Fd.	168.0	177.0	—	—
Balanced	270.0	285.0	+1.0	—
Deposit	166.0	175.0	—	—
European	149.0	157.0	+1.0	—
GT Managed	173.0	182.0	+2.0	—
Gartmore Mngd.	112.0	118.0	+1.0	—
German	104.0	110.0	+1.0	—
Gilt	175.0	185.0	—	—
Global	48.0	51.0	—	—
High Inc	115.0	122.0	—	—
International Equity	177.0	187.0	+2.0	—
Japan	237.0	250.0	—	—
Managed	61.0	65.0	—	—
Property	276.0	291.0	—	—
R. W. Imperial Gold	129.0	136.0	—	—
UK Equity	365.0	385.0	+2.0	—
Pension Funds				
American	130.0	137.0	—	—
Building Soc. Fd.	165.0	174.0	—	—
Balanced	208.0	219.0	—	—
Deposit	159.0	168.0	—	—
European	148.0	156.0	—	—
German	95.0	100.0	—	—
Gilt	147.0	155.0	—	—
International Equity	129.0	136.0	—	—
Japan	136.0	144.0	—	—
Managed	62.0	66.0	—	—
Property	213.8	225.0	—	—
UK Equity	321.0	338.0	—	—

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Balanced Grth Mngd	558.7	588.8	+5.7	—
Adventurous Mngd	115.5	121.8	+1.3	—
Secure Mngd	105.7	111.4	+0.7	—
Cash Fd	227.7	240.0	—	—
Property Fund	279.4	297.3	—	—
Equity Fund	618.8	652.1	+8.5	—
Fxd. Int. Fund	294.2	310.1	—	—
International	270.8	288.1	+2.8	—
High Income	471.8	502.0	+11.8	—
Far East	428.7	451.8	+5.1	—
North American	228.0	240.3	+3.0	—
Special Sits	575.3	612.1	+7.4	—
Technology	220.1	232.0	+2.1	—
Extra Inc Fd	275.6	293.2	+4.9	—
Convertible & Gilt Fd	151.8	161.5	+1.3	—
American Income	113.5	119.6	−0.7	—
Gilt Fund 20	303.0	322.4	−0.4	—
European Fund	89.3	95.0	−0.1	—
Pref & Fixed Int	99.6	105.0	−0.1	—
Balncd Gth Mgd Pens Acc	529.7	557.6	+3.7	—
Adventurous Mgd Pens Acc	110.6	116.5	+1.4	—
Secure Mngd Pens Acc	103.8	109.3	+0.8	—
Building Soc. Acc	235.2	247.6	—	—
Property Pens. Acc	283.0	297.9	—	—
Fix Int. Pens. Acc	392.3	413.0	−0.2	—
Equity Pens. Acc	689.8	726.2	+6.3	—
International Pens Acc	247.0	260.0	+2.8	—
High Inc Pens Acc	486.0	511.6	+12.6	—
Tech Pens Acc	139.4	146.8	+1.6	—
N American Pens Acc	151.4	159.4	+2.2	—
Far Eastern Pens Acc	413.3	435.1	+5.4	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	532.3	560.4	+7.0	—
Equity	772.4	813.1	+14.1	—
Global Equity	215.6	227.0	+2.3	—
Fixed Interest	402.8	424.1	−0.3	—
Property	373.5	393.2	−0.1	—
Cash	150.7	158.7	+0.2	—
Index Linked Gilt	194.3	204.6	+1.8	—
Guaranteed	11.87		—	—
International Money	191.9	202.1	−0.1	—
North American	58.2	61.3	+0.6	—
Japanese	137.8	145.1	+0.2	—
European	78.6	82.8	+0.1	—
Special Situations	116.0	122.2	+1.4	—
Communications	91.2	96.1	−0.6	—
Smaller Companies	106.2	111.8	+0.7	—
International Small Cos	115.7	121.8	+0.8	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Discretionary Feb 16	£145.23	150.17	—	—
Equity Feb 16	£159.19	168.04	—	—
International Feb 16	£23.42	24.15	—	—
Intl Bond Feb 16	£11.04	11.18	—	—
Fixed Int Feb 16	£71.82	72.77	—	—
Index Linked Feb 16	£59.12	59.86	—	—
Property Feb 16	£102.89	109.10	—	—
Cash Feb 16	£20.0762	20.0762	—	—
Pru-Linked Retirement Plan				
Managed Feb 15	358.6	373.6	—	—
Cash Feb 15	109.1	197.0	—	—
Prudential Pensions Investment Account				
Pens Mngd Feb 20	145.9	153.6	+0.2	—
Pens UK Eq Feb 20	271.2	285.5	−1.6	—
Pens Intl Feb 20	169.1	178.1	+0.1	—
Pens Fixed Feb 20	166.0	174.8	−0.5	—
Pens Index Lk Feb 20	152.0	160.1	+0.6	—
Pens Cash Feb 20	123.5	130.1	—	—

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or −	Yield Gross
Aggressive Ptflio Fd	113.3	119.2	−0.4	—
Balanced Ptflio Fd	300.1	315.8	+1.1	—
Cautious Ptflio Fd	119.6	125.8	+0.2	—
Elite Fund	102.8	108.2	+0.2	—
European Fund	73.2	77.0	−0.4	—
Far East Fund	109.7	115.4	−0.3	—
Fixed Interest Fund	245.5	258.4	+0.3	—
International Fund	242.7	255.4	−0.8	—
Money Fund	172.8	181.8	−0.2	—
N. American Fd	100.8	106.1	−0.1	—
Property Fund	395.9	416.7	—	—
UK Equity Fd	367.9	387.7	+1.3	—
A.I.M. Brewin Diplm Fd	88.5	95.2	−0.1	—
Swiss Select Invs	108.0	110.5	+0.4	—
Chart Safety First Bd	105.9	111.5	—	—
Conquest Fund	68.3	71.9	—	—
Exec Master Fd	89.1	93.8	+0.1	—
Hardwick Growth Fd	107.0	113.5	+0.1	—
Bentley Haig LR Port	95.9	108.9	−1.1	—
Milbourne Spec Port	105.4	110.9	—	—
Swiss Global Fd	107.1	112.7	+0.2	—
Hardwick Tst Fd	71.3	75.1	+0.2	—

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or −	Yield Gross
Deposit Acc Fd	120.9	127.3	+0.1	—
Equity Acc Fd	296.3	311.8	+2.7	—
Managed Acc Fd	261.7	275.5	—	—
Prop Fd (1st Issue)	—	544.5	—	—
Prop Acc Fd (2nd Iss)	169.0	177.9	—	—
Unit Trust Mn. Fd	100.8	106.1	—	—
RL Pension Funds				
Deposit Acc	154.8	162.9	—	—
Equity Acc	217.2	228.7	—	—

Skandia Life Assurance Co Ltd—Contd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

Roxborough Financial Management Ltd

Rutland Insurance Broking & Inv Grp Ltd

Touche Remnant (Guernsey) Limited

CMI Insurance Co Ltd

JERSEY AUTHORISED

Capital House Fund Mgrs (CI) Ltd (0905)H

Eagle Star International

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY AUTHORISED

IoM AUTHORISED

LUXEMBOURG AUTH'D

OTHER OFFSHORE FUNDS

BERMUDA AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

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BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Stock	Yield Int.	Yield Red.
Treas 9½pc Cnv 1989	[illegible]	12.09
Treas 3pc 1989	[illegible]	9.15
Treas 10½pc 1989	[illegible]	12.50
Exch 10pc 1989	[illegible]	12.42
Exch 11pc 1989	[illegible]	12.34
Treas 5pc 1986-89	[illegible]	10.05
Exch 10½pc Cv '89	[illegible]	10.93
Treas 13pc 1990‡‡	[illegible]	11.46
Exch 11pc 1990‡‡	[illegible]	11.41
Exch. 12½pc 1990	[illegible]	11.49
Treas. 3pc 1990	[illegible]	11.07
Treas 8¼pc 1987-90‡‡	[illegible]	11.07
Treas. 8pc Cv 1990 ‡‡	8.11	9.08
Treas. 10pc Cv 1990	10.18	11.18
Exch 2½pc 1990	2.79	8.99
Treas 11¾pc 1991	11.61	11.02
Funding 5¾pc '87-91‡‡	6.27	10.21
Treas. 3pc 1991	3.39	8.85
Treas 10pc Cv '91 ‡	10.00	9.99
Exch. 11pc 1991	10.95	10.78
Treas. 8pc 1991	8.56	10.75
Treas 12¾pc 1992‡‡	12.08	10.50
Treas 10pc 1992	10.15	10.57
Treas. 8pc 1992 ‡‡	8.58	10.57
Treas 10½pc Cv 1992‡‡	10.51	10.52
Treas. 3pc 1992	3.53	8.30
Exch. 12¼pc '92	[illegible]	10.53
Exch 13½pc 1992	[illegible]	10.48
Treas 8¾pc 1993	[illegible]	10.37
Treas 10pc 1993‡‡	[illegible]	10.27
Treas 12½pc 1993‡‡	[illegible]	10.27
Funding 6pc 1993‡‡	[illegible]	10.29
Treas 13¾pc 1993‡‡	[illegible]	10.29
Treas. 8½pc 1994	[illegible]	10.27

Five to Fifteen Years

Stock	Yield Int.	Yield Red.
Treas 14½pc 1994‡‡	12.42	10.16
Exch 13½pc 1994	12.00	10.32
Treas. 10pc Ln. 1994‡‡	10.05	10.11
Exch. 12½pc 1994	11.46	10.30
Treas 9pc 1994‡‡	9.43	10.06
Treas 12pc 1995	11.16	10.26
Exch 3pc Gas 90-95	3.83	7.44
Exch. 10¼pc 1995	10.20	10.13
Treas 12¾pc 1995‡‡	11.33	10.11
Treas. 14pc '96	11.84	10.25
Treas. 9pc 1992-96‡‡	9.33	9.69
Treas 15¼pc 1996‡‡	12.14	10.13
Exch 13¼pc 1996‡‡	11.42	10.07
Conversion 10pc 1996	9.97	9.93
Treas 13¼pc 1997‡‡	11.31	10.04
Exch 10½pc 1997	10.12	9.93
Treas 8¾pc 1997‡‡	0.28	9.74
Exch 15pc 1997	11.77	10.16
Exch. 9¾pc 1998	9.79	9.82
Treas 6¾pc 1995-98‡‡	8.05	9.40
Treas. 15½pc '98‡‡	11.63	10.01
Exch. 12pc 1998	10.63	9.90
Treas 9½pc 1999‡‡	9.53	9.55
Exch. 12¼pc 1999	10.66	9.88
Treas. 10½pc 1999	10.05	9.79
Conversion 10¼pc 1999	9.96	9.76
Treas. 8½pc Ln 2000‡‡	[illegible]	9.51
Conversion 9pc 2000‡‡	[illegible]	9.52
Treas. 13pc 2000	[illegible]	9.88
Treas 10pc 2001	[illegible]	9.58
Treas. 14pc '98-01	[illegible]	10.08
Conversion 9¾pc 2001	9.61	9.55
Exch. 12pc '99-02	[illegible]	9.92
Conversion 10pc 2002	[illegible]	0.46
Treas 9¾pc 2002	[illegible]	9.44
Exch. 9pc 2002	[illegible]	9.38
Treas. 13¾pc 2000-03	[illegible]	9.93
Treas 10pc 2003	[illegible]	9.35

Over Fifteen Years

Stock	Yield Int.	Yield Red.
Treas. 11½pc 2001-04	10.21	9.70
Treas. 10pc 2004	9.44	9.26
Funding 3½pc '99-04	5.87	8.13
Conversion 9½pc 2004	9.27	9.20
Conversion 9½pc 2005	9.25	9.17
Exch. 10½pc 2005	9.44	9.16
Treas. 12½pc 2003-05	10.05	9.41
Treas. 8pc 2002-06‡‡	8.85	9.09
Conversion 9¾pc 2006	9.24	9.12
Treas. 11¾pc 2003-07	9.95	9.39
Treas 8½pc 2007 ‡‡	8.87	8.96
Treas. 13½pc '04-08	10.08	9.27
Treas. 9pc 2008 ‡‡	8.96	8.92
Treas 8pc 2009	[illegible]	8.87
Conv 9pc Ln 2011 ‡‡	[illegible]	8.82
Treas. 5½pc 2008-12‡‡	[illegible]	8.63
Treas. 7¾pc 2012-15‡‡	[illegible]	8.77
Exch. 12pc '13-'17	[illegible]	8.81

BRITISH FUNDS—Contd

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1988:106.6 and for January 1989:111.0

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Royal Trust Fd Mngt (CI) Ltd

Strongbold Investment Mngrs

Sun Life Global Management Ltd.

Royal Trust Intl Fd Mngt Ltd

Money Market Trust Funds

Money Market Bank Accounts

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CANADIANS

1988/89 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
309p	132p	♥AEM Gold Corp ‖	143p	+1	-	-	-
32p	4½p	♥Abbot Energy Corp.	15¼p	......	-	-	-
14⅛	882p	♥Amer. Barrick Res.	11½	......	-	-	-
10p	2⅞p	♥Amer. Lightwave ‖	2⅞p	......	-	-	-
47p	7¼p	♥Armeno	17p	+2¾	-	-	-
125p	83p	♥Asiamerica ‖	108p	......	-	-	-
76p	23p	♥Augmitto Explo.	29½p	-2½	-	-	-
14⅝	10⅝	Bk. Montreal ‖	14	......	$2.12	-	7.3
769p	514p	Bk. Nova Scot. ‖	708p	+9	84c	-	5.7
18¾	15¼	BCE ‖	18⅛xd	+⅛	$2.44	-	6.5
716p	527p	♥Bow Valley ‖	666p	-3	♦40c	-	2.9
14¼	10½	♥Brascan ‖	13¾	-⅛	88c	-	3.2
328p	177p	♥Breakwater Res.	198p	+4	10c	-	2.4
13¼	801p	Can. Imp Bank ‖	12¼	+⅛	$1.16	-	4.6
12¼	841p	Can. Pacific ‖	10½	......	76c	-	3.3
41½	38½	Do. 4pc Deb £100	38½xd	......	4%	-	10.4
515p	357p	Central Capital "A" ‖	387p	-4	-	-	-
485p	313p	♥Corona Corp.	416p	+7	-	-	-
886p	228p	♥Cons TVX Min	339p	+7	-	-	-
371p	22p	♥Daabus Mem. Syst. ‖	22½p	-½	-	-	-
686p	430p	♥Derlan Inds. ‖	595p	+2	11.75c	-	0.9
14⅛	746p	♥Echo Bay Mines	845p	+9	$0.07	-	0.4
839p	249p	♥ECO Corp ‖	440p	+55	-	-	-
40p	11½p	♥[illegible]berger Minerals ‖	12¾p	+⅛	-	-	-
		For Euro-Asia see Asiamerica					
386p	196p	♥Galactic Resources	209p	......	-	-	-
425p	267p	Gandall Techs. Inc.	279p	+1	-	-	-
125p	41p	♥Geodome Res.	45p	......	-	-	-
394p	141p	Granges Exoln ‖	152p	......	-	-	-
21½p	4½p	♥Gt Pacific Res.	21½p	+2½	-	-	-
903p	576p	♥Gulf Canada ‖	678p	+8	52c	-	3.7
12⅝	816p	♥Hawker Sid Can ‖	11⅝	......	$1.06	-	4.4
590p	344p	♥Henlys Group	356p	......	-	-	-
12½	785p	♥Hudson's Bay ‖	11⅞	-⅛	60c	-	2.4
28¼	20¼	♥Imperial Oil ‖	21⅞	+⅛	$1.80	-	3.6
20⅞	10¼	Inco ‖	17⅛	+⅛	US$0.80	-	2.6
718p	462p	♥Inland Nat. Gas $1.	625p	+3	60c	-	4.6
250p	100p	♥Madeleine Mines	128p	-1	-	-	-
207p	126p	♥Muscocho Explo.	164p	-2	-	-	-
187p	41½p	♥Ntnl Business Syst. ‖	41½p	......	-	-	-
245p	85½p	♥Nevada Goldfields	85½p	......	-	-	-
12⅞	787p	♥Rio Algom	11½	+⅛	31.30	-	5.4
19⅛	11⅞	Royal Bk. Can. ‖	18¼	+⅛	$2.20	-	5.8
40⅞	26⅝	Seagram ‖	38½	+⅛	US$1.20	-	1.7
361p	74½p	♥Sonora Gold Corp ‖	88p	+2½	-	-	-
121p	18p	♥Spiral Eng ‖	74p	-4½	-	-	-
150p	35p	♥Tarn Pure Tech. Corp ‖	105p	-2	-	-	-
19¼	11⅞	Toronto-Dom. Bk. ‖	17¾	......	$1.12	-	3.0
746p	566p	♥Trans Can Pipe	714p	+3	68c	-	4.6
205p	127p	♥[illegible]rity Corp ‖	167p	-1	B-	-	-

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

For Munton Grp see Aitch Hldgs

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible] ... Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	80	......
Craig & Rose £1.. y	710	......
Finlay Pkg. 5p.... y	93	......
Holt (Jos) 25p..... y	1235	......

IRISH

Cap. 8½% to. 1991..	£99¾	......
9oc Cap Ln. 1996..	£100	......
Fin. 13% 97/02...	£121	......
Arnotts..................	425	+5
Carrol (P.J.)........ y	157	+1
Hall (R. & H.)......	175	......
Helton Hldgs......y	70½	......
Irish Ropes...........	185	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	49
Amstrad	10
BAT	40
BOC Grp	36
BSP	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	30
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	98
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Securities	52
MEPC	50

Oils	
Brit Petroleum	21
Do. (P.Pd)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines	
Cons Gold	100
Lonrho	30
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling manages small rally

STERLING AND the Australian dollar attracted most attention during a lacklustre day on the foreign exchanges. The US dollar drifted higher, in very thin trading, with US markets closed for Presidents Day.

The pound opened weak in London, responding to publication in the morning Press of a pessimistic survey from the Confederation of British Industry. Sterling opened at the day's low of around DM3.2450, as the CBI painted a gloomy picture of the prospects for British exports, and continued upward pressure on prices.

This proved to be the day's low however, as the pound survived, without much further movement, figures on UK money supply and bank lending for January. These were rather a mixed bag, but were generally regarded as disappointing, although the net impact on the pound was limited. A fall of 0.6 per cent in M0 money supply growth was towards the lower end of expectations, even though it showed a sharp contraction from the rise of 0.9 per cent in December. A rise of £8.5bn in bank and building society lending (M4) was about $2bn above most forecasts, and £1.5bn higher than in December.

Dealers suggested that the figures did not point towards any immediate danger of higher UK bank base rates, but did not bring a cut in rates any nearer.

Sterling showed a partial recovery to close at DM3.2500, compared with DM3.2625 on Friday. It also fell 1 1/4 cents to $1.7635, and declined to Y223.00 from Y223.75; to SFr2.7625 from SFr2.7700; and to FFr11.0750 from FFr11.1050. According to the Bank of England the pound's exchange rate index opened 0.4 lower at 97.6, and closed at 97.7.

Short covering in a quiet market provided the dollar with support, as dealers waited for comments from Mr Alan Greenspan, chairman of the US Federal Reserve Board. Mr Greenspan gives testimony before Congress today, and the market will be looking for any hint of a further tightening in US monetary policy.

The dollar rose to DM1.8435 from DM1.8370; to Y126.45 from Y126.00; to SFr1.5670 from SFr1.5595; and to FFr6.2800 from FFr6.2525. On Bank of England figures the dollar's index rose to 66.7 from 66.5.

The Australian dollar remained under pressure, falling to 81.90 US cents at the close in London, from 82.00 cents in Sydney, amid indications that the Australian authorities intend to prevent the currency from recovering.

Mr Paul Keating, the Australian Treasurer, indicated last week that he had no intention of standing in the way of a decline in the value of the Australian currency, when it began to weaken after a sharp deterioration in Australia's January trade deficit.

In early London trading the Australian dollar rose to 82.40 cents, where dealers reported intervention from the Reserve Bank of Australia. It was earlier rumoured in Sydney that the Reserve Bank was in the market, selling the local currency at around 81.70 US cents.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6879	+2.90	+0.89	±1.5344
Danish Krone	7.85212	8.10910	+3.27	+1.25	±1.6404
German D-Mark	2.05853	2.08379	+1.23	-0.76	±1.0981
French Franc	6.90403	7.09631	+2.79	+0.77	±1.3674
Dutch Guilder	2.31943	2.35214	+1.41	-0.61	±1.5012
Irish Punt	0.768411	0.781922	+1.76	-0.35	±1.6684
Italian Lira	1483.58	1528.51	+3.03	+2.78	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Feb.17	Close	Previous Close
£ Spot	1.7745-1.7755	1.7750-1.7760
1 month	0.48-0.47pm	0.47-0.44pm
3 months	1.39-1.36pm	1.35-1.30pm
12 months	3.72-3.65pm	3.75-3.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.20	Previous
8.30 am	97.6	98.0
9.00 am	97.6	97.9
10.00 am	97.7	97.9
11.00 am	97.7	97.9
Noon	97.6	97.9
1.00 pm	97.6	98.0
2.00 pm	97.7	98.0
3.00 pm	97.7	97.8
4.00 pm	97.7	98.0

CURRENCY RATES

Feb.20	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.746607	0.640604
U.S Dollar	6.50	1.32687	1.13055
Canadian $	11.54	1.57858	1.34285
Austrian Sch.	4	17.1179	14.6606
Belgian Franc	7.75	51.0513	43.6879
Danish Krone	7½	9.47452	8.10910
Deutsche Mark	4	2.43481	2.08379
Neth. Guilder	5.00	2.74861	2.35214
French Franc	9½	8.29625	7.09631
Italian Lira	12½	1783.17	1528.51
Japanese Yen	2½	166.788	142.932
Norway Krone	8	8.85951	7.55919
Spanish Peseta	-	151.525	129.820
Swedish Krona	8½	8.34270	7.11892
Swiss Franc	4	2.06594	1.77125
Greek Drach.	20½	203.748	174.390
Irish Punt	-	N/A	0.781922

*All SDR rates are for Feb.17

CURRENCY MOVEMENTS

Feb.20	Bank of England Index	Morgan** Guaranty Changes %
Sterling	96.0	-13.9
U.S Dollar	66.7	-12.0
Canadian Dollar	102.0	-0.9
Austrian Schilling	106.4	+9.5
Belgian Franc	105.6	-6.4
Danish Krone	102.9	-1.9
Deutsche Mark	112.4	+20.3
Swiss Franc	108.3	+17.9
Guilder	109.8	+12.8
French Franc	98.6	-16.0
Lira	97.4	-20.1
Yen	152.2	+86.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Feb.17.

OTHER CURRENCIES

Feb.20	£	$
Argentina	32.0170 - 32.2295	18.1400 - 18.2500
Australia	2.1515 - 2.1545	1.2205 - 1.2215
Brazil	1.7565 - 1.7660	0.9950 - 1.0000
Finland	7.5455 - 7.5675	4.2770 - 4.2790

*Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Belgian rate is for convertible francs. Financial franc 68.40-68.50. Six-month forward dollar 2.41-2.36cpm 12 months 3.72-3.62cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.75-38.85.

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 10¼-10⅛ per cent; three years 10⅜-10¼ per cent; four years 9⅞-9¾ per cent; five years 10⅛-9⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Weaker tone on money data

SHORT STERLING prices lost ground in Liffe trading yesterday after UK money supply data for January disappointed the market. The June contract - now the most widely traded - moved a shade closer to convergence with its cash equivalent by shedding 15 ticks to close at 87.46, down from 87.60 at the start and 87.51 on Friday.

The contract's fall came quite late in the day, and followed a break through support at around the 87.55 level. As soon as this was broken, trading in the last two hours doubled the day's turnover to over 16,500 lots traded. Part of the downturn reflected growing unease about the position of sterling as a high yielding currency. Many investors have been unsettled by the sharp decline in the Australian dollar - another high yielding unit.

Prices in the tables below are for February 20 for London and February 17 for Chicago and Philadelphia. US markets were closed yesterday for Presidents Day.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 39,578
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Longer rates firmer

Longer term UK interest rates edged up slightly towards the close of trading yesterday in reaction to worse than expected money supply data for January. The narrowly defined M0 fell less than expected, while M4 bank lending was well above most market projections. On the other hand, personal borrowing, at its lowest level for two years, provided a brief ray of sunshine.

UK clearing bank base lending rate 13 per cent from November 25

Even so, the overall picture provides little encouragement for those looking for an early cut in clearing bank rates, and most analysts are predicting, at best, an unchanged base rate level of 13 per cent for some time yet.

Three-month interbank money was quoted at 13-12⅞ per cent unchanged from Friday, while the six-month rate edged up to 13-12⅞ per cent from 12[illegible]-12[illegible] per cent. Overnight money opened at 12¾-12⅞ per cent and slipped to a low of 11¾ per cent before moving up on late demand to 14 per cent.

The Bank of England forecast a flat liquidity position. Factors affecting the market included repayment of late assistance and a take up of Treasury bills, together with bills maturing in official hands draining £562m. These were offset by Exchequer transactions which added £140m; a fall in the note circulation of £440m, and banks' balances brought forward a nominal £5m above target.

There was no assistance offered by the Bank during the morning. In the afternoon the forecast was revised to a shortage of around £50m, and the Bank gave assistance of just £11m through outright purchases of eligible bank bills in band 4 at 12¾ per cent. Late help came to £10m.

Short-term interest rates were slightly lower in Frankfurt. Commercial banks are currently well placed to meet liquidity demands, and funds tended to come on offer for most of the day. The Bundesbank is expected today to announce terms for another sale and repurchase tender to offset a previous facility of DM8.4bn which expires tomorrow.

Many traders do not expect the expiring agreement to be fully replaced. However, this should not be regarded as a further tightening in policy because commercial banks should have sufficient funds to accommodate a net draining of funds.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.20)	3 months US dollars		6 months US Dollars	
	bid 9⅞	offer 10	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)Feb.17 — Treasury Bills and Bonds

LONDON MONEY RATES

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm. Bk. N.East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williams Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc.	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh.	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	§13.95		
Citibank NA	13	Mount Banking Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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CROSSWORD

No.6,866 Set by HIGHLANDER

ACROSS
1 Trying to avoid discovery after a beating (8)
4 Less unusual in one lacking scholarship (6)
10 Equip graduate to take part in informal performance (9)
11 It looks terrible but is said to be worth seeing (5)
12 Have inclination to slim (4)
13 That singer's special arrangement is put in order (10)
15 Not one of the two or three in confusion (7)
16 Forgetful about young lady (6)
19 One who conveys produce to Queen (6)
21 A great many grow old in security (7)
23 Theatre in trendy Italian city split apart by shell (10)
25 Charity gala produces fortune according to auditor (4)
27 Use that sort of shirt and socks, not these (5)
28 Holiday firm provides meal (9)
29 During term-time it produces much amusement (8)
30 Large meal means expansion of waist-line (6)

DOWN
1 Inflexible policy is tough on railway (4,4)
2 Be authoritative and it goes mad, completely beserk (9)
3 Spick-and-span with nothing added (4)
5 Outside broadcast follows golf championship (4-8)
6 I'm coming back a miss - got involved with marriage-hater (10)
7 Near end of August the darkness appears (5)
8 Classification brings severe criticism (8)
9 Cannon is pulverising vessel (6)
14 Old driver given encouragement to contain a disturbance (10)
17 Team least likely to produce draw? (9)
18 Appointed by ballot after second choice (8)
20 Two army corps snaffle food (7)
21 Bad actor hired for Shakespearian part (6)
22 Which church is made of straw? (6)
24 Move stealthily around bow line (5)
26 Miss out Sunday nap (4)

Solution to Puzzle No.6,865

COMPANY NOTICES

NOTICE TO HOLDERS OF BONDS

THE SAITAMA BANK, LTD.

U.S.$100,000,000 1¾ PER CENT CONVERTIBLE BONDS DUE 2002

ADJUSTMENT OF CONVERSION PRICE

Pursuant to Clause 7 (B), (C) and (E) of the Trust Deed between The Saitama Bank, Ltd. (the "Bank") and Morgan Guaranty Trust Company of New York as the Trustee, dated 6th May, 1987, in connection with the above-mentioned Bonds (the "Trust Deed"), you are hereby noticed as follows:

1. Pursuant to resolutions adopted at the meeting of the Board of Directors of the Bank held on 26th January, 1989, the Bank authorized a free distribution of shares of common stock of the Bank to the shareholders in the record as of 31st March, 1989 (Japan time) at the ration of 0.05 new share per one share held.

   Accordingly, the Conversion Price of the above-captioned Bonds will be adjusted, pursuant to Condition 5(C) (i) of the Terms and Conditions of the bonds, from 1,710 Japanese yen to 1,628.60 Japanese yen effective as of 1st Arpil, 1989 (Japan time).

2. As a result of the above-mentioned adjustment of the Conversion Price of the Bonds, the adjusted Conversion Price (1,628.60 Japanese yen) will be applicable as from 1st April, 1989 (Japan time).

The Saitama Bank, Ltd.

Dated: 21st February, 1989.

CHEMICAL NEW YORK CORP
US$ 300,000,000 Floating Rate Subordinated Capital Notes Due 1997

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 21 February 1989 to 23 May 1989 the Notes carry an interest rate of [illegible]% per annum. The interest payable on the relevant interest payment date 23 May 1989 against Coupon No 17 will be US$ [illegible] per US$ 50,000 Note.
Agent Bank
Chemical Bank

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | JAPAN | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | AUSTRALIA | SWEDEN | SWITZERLAND | SOUTH AFRICA | AUSTRALIA (continued) | HONG KONG | SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices February 17

[illegible]

Sales	Stock	High	Low	Close	Chng
8250	Cheran	216	210	210	+ [illegible]
27400	Cineplex	$18¾	18⅛	18¾	
38900	Co Steel f	$17½	17⅛	17⅛	+ ⅛
190840	Cominco	$27¼	26¾	26⅞	+ ⅛
18862	Computing	$5	5	5	
78585	Connaught	$28¼	27⅝	27⅞	+ ⅛
335779	Con Bath A	$24⅝	24½	24½	− ⅛
100	C HCI A 1	$8¾	8¾	8¾	− ⅛
78833	Con TVX	$7¼	6⅞	7⅛	+ ⅛
2274	Cosum Gas	$28½	28¼	28⅜	− ⅛
1649	Ipsco	$20¾	20⅛	20⅝	+ ¼
32100	Ivaco A f	$11¾	11⅞	11⅞	
900	Ivaco B	$12¼	12⅛	12⅛	+ ⅛
4400	Jannock	$20⅞	20⅝	20⅞	+ ⅛
20	Kelly DA	$38⅝	38⅝	38⅝	
403	Kerr Add	$23	23	23	
52791	Labatt	$25⅛	23½	23⅞	
129841	Lac Minrls	$13½	18¼	13½	
901	Lafarge p	$19¾	19⅛	19⅛	+ ⅛
26851	Laidlaw A	$20¼	20	20	
4000	SHL Syst	$8¼	8½	8⅝	
700	SNC A f	$8	8	8	− ⅛
16730	SIL CemA f	$16⅛	10	10	− ⅛
3200	Samuel MT	$16⅜	10⅛	10¼	
8847	Saskoil	$9½	9½	9½	
35480	Sceptre	405	395	405	+ 10
1850	Scot Paper	$18	18	18	
73325	Scotts 1	$13⅛	12½	13⅝	+ ⅛
200	Scotts C	$14¼	14¼	14¼	− ¼
20300	Seagram	$81¼	80¼	81	+ ½
31764	DomTxtA	$15¾	15⅝	15⅝	− ⅛
10368	MntTrst	$17½	17⅝	17¼	− ⅛
42921	NatBk Cda	$12⅞	12¼	12¼	− ⅛
11547	Noverco	$11⅝	11½	11½	− ⅛
163285	Power Corp	$15¾	18	15⅝	+ ⅜
30135	Provigo	$16⅞	16⅛	10⅞	− ½
41312	Royal Bank	$38½	38¼	38⅝	+ ⅛
1600	SteinbrgA	$33¾	33¼	33¾	+ ⅛
18025	Videotron	$18⅛	18	18	− ⅛

Total Sales 5,818,071 shares.

MONTREAL
Closing prices February 17

[illegible]

INDICES

NEW YORK DOW JONES

	Feb 17	Feb 16	Feb 15	Feb 14	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
ϕIndustrials	2324.82	2311.43	2303.93	2281.25	2347.14 (7/2/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.83	88.80	88.94	89.02	91.25 (3/3/88)	86.12 (4/1/88)	–	–
Transport	1082.79	1079.24	1075.36	1062.10	1087.97 (7/2/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	186.46	186.17	186.52	186.05	191.15 (24/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

ϕDay's High 2339.11 (2326.07) Low 2301.96 (2293.04)

STANDARD AND POOR'S	Feb 17	Feb 16	Feb 15	Feb 14	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	296.76	294.81	294.24	291.81	299.63 (7/2/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	342.66	340.45	339.84	336.74	346.41 (7/2/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	27.14	26.89	26.80	26.57	27.24 (7/2/89)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	166.45	165.51	165.21	163.94	168.02 (7/2/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	325.95	325.15	325.21	322.96	327.23 (8/2/89)	262.78 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	407.19	405.70	404.17	402.02	409.19 (7/2/89)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Feb 10	Feb 3	Jan 27	year ago (approx.)
Dow Industrial Div. Yield	3.63	3.45	3.46	3.48
	Feb 15	Feb 8	Feb 1	year ago (approx.)
S & P Industrial div. yield	3.13	3.05	3.05	3.05
S & P Indl. P/E ratio	13.63	13.85	13.79	16.54

TRADING ACTIVITY † Volume

Millions	Feb 17	Feb 16	Feb 15
New York	159.520	177.450	154.220
Amex	11.892	12.010	10.860
OTC	114.149	149.254	123.178

NEW YORK	Feb 17	Feb 16	Feb 15
Issues Traded	1,951	1,939	1,951
Rises	953	806	888
Falls	497	599	550
Unchanged	501	535	513
New Highs	58	61	55
New Lows	13	12	20

CANADA

TORONTO	Feb 17	Feb 16	Feb 15	Feb 14	1988/89 High	1988/89 Low
Metals & Minerals	3441.7	3414.6	3397.4	3419.7	3564.9 (6/2/89)	2238.7 (8/2/88)
Composite	3610.8	3606.7	3609.9	3629.7	3696.1 (8/2/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1797.73	1793.31	1794.26	1791.42	1850.44 (8/2/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Navistar	2,750,400	5⅞	− ⅛	Fleming	1,840,300	31⅛	—
Niag Mohawk	2,644,400	12	—	Exxon	1,477,100	44⅝	− ⅛
Kan-Cy Pwr	2,129,300	30⅛	+ ⅛	AT&T	1,441,400	31½	+ ⅛
Union Carbide	1,982,600	32	− ⅛	General Electric	1,416,800	46⅞	+ ⅞
Church Chl	1,879,400	10⅛	—	Eastman Kodak	1,381,800	48⅝	+ 1

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. 7 Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 20	Feb. 17	Feb. 16	Feb. 15	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1473.1	1448.1	1451.0	1479.0	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	671.6	655.0	654.6	671.3	847.2 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	242.14	240.57	239.33	239.22	242.14 (20/2/89)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/80)	5757.74	5767.43	5789.14	5799.66	5834.01 (10/2/89)	3608.35 (4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	288.44	287.90	289.50	290.25	291.83 (10/2/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	784.2	782.6	782.4	782.0	784.2 (20/2/89)	530.6 (15/1/88)
FRANCE						
CAC General (31/12/82)	439.1	440.3	440.4	442.8	457.1 (3/2/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	103.0	103.0	103.6	102.9	108.1 (3/2/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	556.61	556.32	557.52	558.11	569.27 (8/2/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1661.4	1660.3	1663.5	1662.5	1705.6 (5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1319.91	1315.09	1317.91	1317.32	1371.10 (5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	3159.84	3106.25	3081.14	3100.87	3209.96 (9/2/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	591.95	586.22	583.12	579.45	615.89 (17/1/89)	423.91 (9/2/88)
JAPAN						
Nikkei (16/5/49)	32177.08	32173.39	32083.58	32149.4	32177.08 (20/2/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2470.37	2473.33	2468.19	2475.71	2490.07 (8/2/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	307.7	303.7	303.7	302.4	310.7 (8/2/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	267.8	265.5	264.9	263.6	272.7 (8/2/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	567.14	560.94	553.84	539.77	567.14 (20/2/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1132.77	1129.93	1129.83	1122.56	1177.87 (8/8/88)	833.60 (4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1309.0‡	1293.0	1303.0	1291.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2216.0‡	2200.0	2200.0	2186.0	2246.0 (9/2/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	273.17	273.20	274.35	274.90	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3669.4	3667.2	3648.7	3634.5	3669.4 (20/2/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	649.4	646.8	647.9	(u)	649.4 (20/2/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	519.0	517.5	518.9	519.0 (20/2/89)	401.0 (21/1/88)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday 20 February 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	111.4m	970	uch	Hitachi Zosen	34.8m	773	-37
Sumitomo Metal	59.2m	850	+2	NKK	31.1m	1,030	uch
Mitsui Mining & Smelting	53.4m	919	+77	Mitsubishi Heavy Ind	30.9m	1,190	-19
Taisei	52.7m	1,720	+80	Kobe Steel	30.6m	856	-9
Shimizu	38.9m	2,180	+80	Mitsui Eng & Shipbldg	24.8m	840	-20

EUROPE

Milan climbs 1 per cent on party congress choice

MOST bourses ended higher but turnover was subdued by the holiday on Wall Street, *writes Our Markets Staff.*

MILAN rose strongly as investors welcomed the weekend choice of Mr Arnaldo Forlani as secretary of the Christian Democrat Party. The rise apparently reflected relief that the party congress had not been torn by disagreement over who should succeed Mr Ciriaco De Mita, the Prime Minister, as party leader.

Although Mr De Mita was strongly opposed to Mr Forlani, the latter is seen as a compromise candidate who should unite the party and help to keep the ruling coalition together, analysts said. None the less, one analyst warned that the decision would not make it easy for Mr De Mita to push through the spending cuts needed to reduce the budget deficit.

Shares had picked up strongly after hours on Friday and the rise continued yesterday, although some prices came off in after hours trading. The Comit index rose 5.73, or just under 1 per cent, to 591.95, but trading remained fairly thin after Friday's low L95bn.

Investors focused on the Ferruzzi group, where Montedison rose L50 to L2,060, Eridania gained L100 to L5,710 and Finanziaria was up L29 to L3,019.

ZURICH finished stronger, with investors choosing to focus on insurance stocks and ignore the banking sector. The Credit Suisse index added 1.5 to 550.9.

Among insurance stocks, Swiss Reinsurance bearers added SFr100 to SFr10,000. Zurich gained SFr25 to SFr4,425, but one analyst said its rise was restricted by fears of a possible rights issue to fund its $740m acquisition, announced on Friday, of the US non-life insurer Maryland Casualty. The company has said there will be no capital increase.

UBS was the only leading bank to move much, with its bearers adding SFr10 to SFr3,150. It is due to report results this week.

Chemical stock Ciba-Geigy, expected also to release figures this week, rose SFr15 to SFr3,155. Sandoz added SFr25 to SFr10,100.

AMSTERDAM ended firmer in fairly thin trading. The CBS tendency index gained 2.2 to 166.0.

There was mixed corporate news, with steel maker Hoogovens rising Fl 4.10 to Fl 56.70 on Friday's announcement of the sale of Cementfabriek IJmuiden at a book profit of Fl 250m. This was seen as removing the need for an equity issue, one analyst said.

Insurer NatNed disappointed the market with news of a 1-for-10 rights issue, falling Fl 1.20 to Fl 63.70. Speculative and options-related trading drove insurer Amev up Fl 4.30 to Fl 59 and transport group Nedlloyd Fl 8 higher to Fl 300.

PARIS put in a quiet session on the final day of the February account, but while turnover was relatively low, share prices ended at the day's highs. The CAC 40 index rose 29.09 to 1,632.82 and the OMF 50 index added 4.63 to 458.60. The end of the account, interest rate worries and the closure of Wall Street all had a dampening effect on volumes.

Eurotunnel saw the busiest trading once again, rising FFr5.30 to FFr89.90. Peugeot was also a feature, adding FFr56 to FFr1,525, helped by recent good news on its car sales.

Bongrain, the cheese maker, recouped some of last week's lost ground, rising FFr145, or 5.2 per cent, to FFr2,930 after news of its $150m purchase of a US milk and cheese company.

WALL Street was closed yesterday for the President's Day holiday. In Canada, Toronto stocks added to early losses at midsession. The composite index fell 14.4 to 3,596.4 as falling stocks outnumbered those rising by 302 to 210 on volume of 6.6m shares.

Among golds, Corona gained C$⅛ to C$8⅞. Hemlo was unchanged at C$12½ after reporting lower earnings. Falconbridge lost C$¾ to C$26⅞.

SOUTH AFRICA

MODEST demand for select issues and continued weakness in the financial rand helped Johannesburg prices close slightly firmer. Gold shares firmed as the bullion price climbed back above $380.

FRANKFURT had another dull session, with very low volume and little corporate news to stimulate interest. The FAZ index edged up 0.29 to 556.61 and the DAX ended 4.82 higher at 1,319.91 in turnover of DM1.9bn.

A more stable dollar took some of the nervousness about interest rates out of the market as investors awaited the next Bundesbank council meeting a week on Thursday. Foreigners were largely absent and domestic institutions inactive. "Torpor seems to have set in," said one salesman.

Deutsche Bank rose DM2.50 to DM516 as the subscription period to its 1-for-15 rights issue began. The rights traded at around DM3.80. Retail stocks had a buoyant day.

STOCKHOLM closed mixed, with the Affärsvärlden general index up 1.1 at 1,076.1 on low turnover.

Alfa-Laval, agricultural technology group, said it was negotiating the purchase of West German meat processor Kramer and Grebe, an acquisition which Alfa-Laval said would make it a leading force in the meat processing market. It rose SKr10 to SKr510.

Skanska climbed SKr12 to SKr455 on revived rumours that its property assets are undervalued. The company does not publish its evaluation and does not permit external ones.

Forestry group Stora rose SKr5 to SKr375 on reports that it would benefit from a decision by Procter & Gamble to use a Stora specialty pulp.

HELSINKI prices reached an all-time high for the fourth trading day in a row. The Unitas all-share index rose 1.6 to 784.2 in moderate turnover worth FM98.4m.

Shares in Amer, the business group, were again suspended, and the company later announced it had signed an agreement to buy Chicago-based Wilson Sporting Goods for US$200m. It said the deal would increase Amer's estimated net sales in the current financial year to FM7.5bn.

BRUSSELS continued the downward trend which started a week ago, with the cash market index falling 9.69 to 5,757.74 amid continued fears of further interest rate increases.

Battered Australia heads the losers' league

MARKETS IN PERSPECTIVE

% change in sterling †	1 Week	4 Weeks	1 Year	Start of '89
Austria	-0.42	+0.84	+10.71	+3.37
Belgium	-1.09	+0.98	+11.10	+2.10
Denmark	-1.06	+0.11	+34.69	+2.87
Finland	-2.31	+6.78	+23.74	+13.15
France	-4.35	-0.35	+33.09	+2.56
West Germany	-2.04	+0.41	+13.46	-0.92
Ireland	+1.16	+5.55	+28.29	+9.22
Italy	+0.94	-3.89	+14.00	-2.67
Netherlands	-0.82	-0.73	+11.73	+3.48
Norway	+4.35	+5.43	+55.55	+23.36
Spain	-2.26	-2.30	+5.58	-0.24
Sweden	-1.40	+3.11	+38.44	+6.79
Switzerland	-0.17	-0.51	-5.25	+0.92
UK	-0.72	+6.39	+19.08	+14.06
EUROPE	-1.27	+2.88	+17.98	+6.63
Australia	-13.38	-12.18	+33.18	-6.11
Hong Kong	-3.38	+7.97	+44.05	+18.24
Japan	+0.23	+2.55	+25.92	+5.83
Malaysia	-2.55	+4.61	+37.57	+11.72
New Zealand	-5.07	+4.36	+3.29	+10.11
Singapore	-2.67	+5.89	+35.18	+15.23
Canada	-0.96	+1.19	+16.00	+8.91
USA	+0.09	+4.21	+11.29	+8.71
Mexico	-2.49	-1.22	+7.71	-1.75
South Africa	-4.85	-0.65	-3.30	+7.82
WORLD INDEX	-0.40	+2.85	+19.15	+6.80

†Based on February 17th,1989

By Alison Maitland

AUSTRALIA emerged with the worst bruises last week as world equity markets struggled to come to terms with economic realities.

The Australian market plunged 13.4 per cent in sterling terms following the shock of a January current account deficit of A$1.54bn, which sent the Australian dollar tumbling.

The losses, which some commentators say were overdone, have turned Australia into the world's worst performer so far this year, with a decline of 6.1 per cent when most markets are showing gains. Yesterday's upward bounce suggests that some investors, at least, agree the reaction in Australia has been too strong.

The other Asia Pacific markets demonstrated similar jitters, but on a lesser scale than Australia's. Hong Kong, which had led world gains in the first six weeks of the year, finally succumbed to an expected dose of profit-taking, sparked by a round of prime rate increases by local banks which had taken their cue from rises in the US. Even after last week's 3.4 per cent fall, however, the market is still showing an 18.2 per cent gain on the year so far.

Japan ended almost back where it started after a volatile week in which nervousness over the ruling party's by-election defeat and the widening Recruit Cosmos share scandal alternated with persistent strong demand, fuelled by high liquidity and relief at the yen's recovery against the dollar.

The world's other leading markets, the US and the UK, also showed little change overall, although that masked a recovery from a nervous start to a more confident finish once the US trade figures for December proved to be safely in line with expectations.

In Europe, most markets spent the week dreading bad news which never materialised, first on interest rates and then on the US trade deficit. When the Bundesbank failed to raise the Lombard and discount rates at its Thursday council meeting, the reaction from bourses was confused, and Friday's US trade figures came too late to reverse the broadly negative mood.

The nervousness infected all but Ireland, up 1.2 per cent, and Norway, which shone out with a 4.4 per cent gain on the week, pushing it back into top place for this year. Norway, whose bounce last week came on top of a powerful January rally, is way ahead of other markets with a 23.4 per cent gain since the start of the year.

Italy was the only other European bourse to end the week higher, after shares recovered some ground at the start of the new monthly trading account.

France suffered the continent's heaviest fall last week, losing 4.4 per cent as interest rate concerns were compounded by comments from President François Mitterrand attacking the takeover speculation that has driven the market in recent months.

South Africa continued its roller-coaster performance last week, falling 4.9 per cent in line with the very weak bullion price.

ASIA PACIFIC

Profit-taking cuts short Nikkei's advance

Tokyo

THE WEEK opened on a firm tone for the equity market but fears of higher prices prompted profit-taking that led share prices to close with only a minimal gain, *writes Michiyo Nakamoto in Tokyo.*

Last week's rising momentum continued in early trading, with the Nikkei average climbing steadily to reach a new high by mid-day. But following the recent pattern, high prices soon led to wariness and the Nikkei average shed its earlier gains to close up only 3.69 at 32,177.08 – still a new peak. The day's high was at 32,302.65, with a low of 32,092.04.

Declining issues led those that advanced by 515 to 359 while 213 issues were unchanged. Turnover at 1.18bn shares was substantially lower than the 1.83bn traded on Friday.

The overall market fell, with the Topix index of all listed shares off 2.96 at 2,470.37, while the ISE/Nikkei average rose 3.59 to 1968.82.

There were rumours on the trading floor that the Diet (Parliament) would have to be dissolved as a result of the Recruit Cosmos share sale scandal. Although on the surface such speculation appeared to be the trigger for the market's unimpressive performance yesterday, analysts were not convinced.

The high level of prices were a better explanation, said Mr Hiroshi Taguchi at Nomura Securities. The market had not really been affected by political matters in the past, and Mr Taguchi thought it was difficult to imagine that developments in the Recruit scandal would seriously undermine the present market's strength.

Interest was mixed yesterday with no particular sector showing outstanding gains. Steels were prominent in the most actives list but only Sumitomo Metal, which was second in volume terms at 59.2m shares, scored a rise of Y2 to Y850.

Nippon Steel, the most actively traded issue with 111.4m shares, closed unchanged at Y970, after rising Y10 to Y980. NKK was steady at Y1,030, although heavily traded, while Kobe Steel dropped Y9 to Y856.

Heavy capital shipbuildings, which together with steels led Friday's gains, succumbed to profit-taking yesterday. Hitachi Zosen declined Y37 to Y773 and Mitsubishi Heavy Industries fell Y10 to Y1,190. Mitsui Engineering and Shipbuilding decreased Y20 to Y840.

Strong gains were seen in some non-ferrous metals and constructions. Mitsui Mining and Smelting, third busiest stock with 53.4m shares traded, added Y77 to Y919. Sumitomo Light Metal Industries was selected as a lagging issue and rose Y45 to Y850. Non-ferrous metals were popular on the increased demand for aluminium beer cans.

Taisei and Shimizu, leading construction companies which have been popular on expectations that future bullet train line and highway projects will boost their profits, both gained Y80 to Y1,720 and Y2,180 respectively.

Individually, Japan Steel Works surged Y200 to Y1,290 amid speculation that the company's shares are being bought up.

Nippon Telegraph and Telephone's (NTT) shares dropped another Y40,000 to Y1.64m as investors became discouraged about the future prospects of the company, particularly after the arrest of two former executives involved in the Recruit Cosmos scandal. There were also reports that the city of Tokyo had decided not to include NTT in its public projects.

Roundup

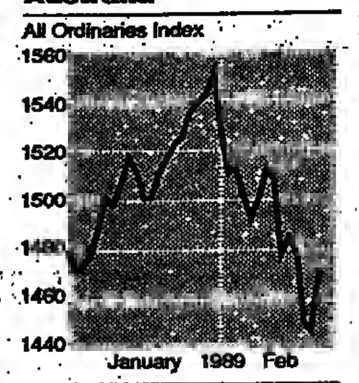
DOMESTIC developments and corporate news aided the Australian and Hong Kong markets, while Singapore had a lackIustre day.

AUSTRALIA benefited from the weakness of the local dollar, closing higher amid short-covering after last week's heavy losses. Resources and leading industrials with overseas earnings were especially popular.

The All Ordinaries index gained 24.8 to 1,473.1 and about 82.1m shares worth A$195.7m were traded, as rises outnumbered falls. The positive performances in leading overseas markets aided sentiment as did anticipation of good results this week, with BTR, Nylex and Brambles among those companies due to report.

Australia

All Ordinaries Index



Among industrials, Brambles led the way higher, adding 50 cents to A$11. BHP was the day's most active issue with 3.1m shares traded, rising 24 cents to A$7.08.

Gold stocks rose modestly in thin trade, with North Kalgurli up 1 cent at 28 cents on turnover of 1.97m shares.

HONG KONG bounced higher after last week's consolidation and the Hang Seng index rose 53.59 to 3,159.84. Volumes reached HK$1.7bn in value, similar to Friday's HK$1.76bn.

Stelux was the session's busiest stock, rising 22½ cents to HK$3.57½ after 10m shares were crossed at HK$3.35. South China Securities Co confirmed it was an active buyer of the stock.

SINGAPORE opened the week on a quiet note, fluctuating narrowly in cautious trading, with Straits Times industrial index adding just 2.84 to 1,132.77.

Turnover fell to 28.3m shares from Friday's 38.5m with little news to inspire trading. Speculative and lower-priced stocks were most in demand, with DBS Land up 1 cent at S$1.51 on turnover of 1.2m shares. United Paper rose 1 cent to S$53.5 cents with 1.19m shares dealt.

TAIWAN had its busiest session this year, with volumes rising to 615m shares worth a 1989 record of T$52.3bn, compared with T$43.2bn worth of shares traded on Saturday.

Madrid deflated by inflation malaise

By Hilary de Boerr

THE monthly wait for the Spanish inflation rate finally came to an end around lunchtime yesterday, releasing the Madrid bolsa from a stranglehold which lasted for more than a week.

News of the 1 per cent rise in inflation in January was generally well received, with share prices edging higher in the after market. Most stock prices had been fixed before the inflation news, and the general index ended the day just 0.03 lower at 273.17.

It was the interminable wait which took its toll on trading; the market fell by 2 per cent over the previous five sessions, with foreigners following domestic investors onto the sidelines and daily turnover dropping to a low $65m.

The monthly malaise has been cropping up since early last summer, when it became clear that the Government would not be able to stick to its annual inflation rate target of 3 per cent. The actual year-on-year figure was 5.8 per cent.

The Government is still looking for 3 per cent this year, but most analysts regard this as optimistic. Yesterday's figure takes the annual rate to 6.3 per cent, with transport, medical service and food price rises largely responsible for the January increase. Probable government concessions to union wage demands are expected to contribute to higher inflation in coming months.

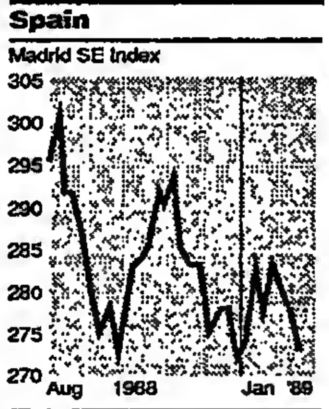
The release of last month's figures, which usually takes place on a Friday and was initially expected late last week, has fuelled some cynicism.

The inflation scenario is as much a Wall Street substitute as a legitimate worry, according to Mr Robert Maxwell, of Maxwell y Espinosa, the Madrid brokerage. If there were no interest rate worries then Wall Street would play the bugbear.

"People probably overplay the importance of it and don't see it in the light of inflation going up around Europe. It's a bit higher than the average in Europe, but this is the fastest

Spain

Madrid SE Index



growing economy in Europe, so what the heck. When you have a post-war boom, you're going to have inflation."

He believes the inflation figure is exaggerated by the large weighting of food in the outdated consumer price index – based on 1974 prices – and by the fact that the index is not seasonally adjusted. During the summer months, the large influx of tourists and greater demand for food pushes food prices up sharply.

With the inflation cloud lifted for the next three weeks, share prices could see some sun – but there are always wage negotiations and Wall Street as inflation substitutes.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 17 1989					THURSDAY FEBRUARY 16 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	133.19	-3.3	111.18	108.29	4.95	137.78	115.34	108.68	157.12	91.16	98.51
Austria (18)	97.36	+0.9	81.28	92.82	2.65	96.51	80.79	92.41	100.00	83.72	86.61
Belgium (63)	135.42	-0.1	113.05	129.24	3.99	135.60	113.51	129.91	139.89	99.14	120.05
Canada (125)	134.24	-0.4	112.06	115.68	3.23	134.83	112.87	115.50	137.27	107.06	113.96
Denmark (39)	158.22	-0.2	132.08	153.81	1.92	158.48	132.67	154.76	161.60	111.42	115.68
Finland (26)	145.38	+0.5	121.36	130.28	1.35	144.73	121.16	129.94	147.07	106.78	115.70
France (130)	115.83	-0.6	96.69	113.60	2.86	116.51	97.53	114.50	119.98	72.77	85.70
West Germany (102)	85.55	-0.1	71.42	81.70	2.30	85.67	71.72	82.06	90.40	67.78	74.27
Hong Kong (44)	129.78	+0.8	108.34	129.98	3.68	128.81	107.83	129.00	133.77	84.90	88.72
Ireland (17)	141.30	+1.5	117.96	137.31	3.68	139.23	116.55	135.76	144.25	104.60	108.47
Italy (98)	81.18	+0.7	67.77	81.49	2.48	80.62	67.49	81.10	86.88	62.99	70.13
Japan (456)	198.98	+0.5	166.10	158.48	0.47	197.89	165.66	157.99	198.98	133.61	155.61
Malaysia (36)	157.40	+0.1	131.39	165.28	2.59	157.19	131.59	165.33	159.52	107.83	112.34
Mexico (13)	161.65	-0.4	134.95	411.81	1.24	162.25	135.83	411.56	182.24	90.07	147.80
Netherland (39)	114.20	+0.5	95.33	108.02	4.60	113.65	95.14	107.89	115.04	95.23	100.65
New Zealand (24)	73.07	+0.1	61.00	63.09	6.13	72.97	61.09	63.03	84.05	63.32	69.67
Norway (26)	168.26	+2.2	140.46	152.50	2.05	164.65	137.84	149.68	168.26	98.55	106.53
Singapore (26)	141.54	-0.4	118.15	125.30	2.13	142.13	118.98	125.95	143.62	97.99	103.11
South Africa (60)	123.68	-0.7	103.25	107.07	4.41	124.51	104.23	107.79	139.07	98.26	125.95
Spain (42)	145.33	+0.0	121.32	125.84	3.83	145.30	121.64	126.53	164.47	130.73	135.59
Sweden (35)	151.61	+0.4	126.56	141.17	2.19	150.97	126.38	140.97	151.85	96.92	107.85
Switzerland (57)	77.36	-0.2	64.58	74.80	2.27	77.50	64.88	75.20	86.75	74.13	80.40
United Kingdom (314)	151.53	+0.7	126.49	126.49	4.30	150.52	126.01	126.01	152.54	120.66	125.33
USA (568)	120.80	+0.6	100.84	120.80	3.58	120.09	100.53	120.09	121.90	99.19	106.63
Europe (1006)	119.96	+0.3	100.14	107.92	3.54	119.59	100.12	107.91	120.76	97.01	100.89
Nordic (126)	147.43	+0.4	123.07	134.13	1.99	146.84	122.93	134.03	147.43	98.11	105.99
Pacific Basin (675)	193.41	+0.4	161.45	154.99	0.67	192.56	161.20	154.54	193.41	130.81	150.80
Euro-Pacific (1681)	164.01	+0.4	136.91	136.30	1.52	163.36	136.75	136.01	164.01	120.36	130.85
North America (693)	121.51	+0.5	101.44	120.51	3.56	120.88	101.19	119.83	122.73	99.78	107.02
Europe Ex. UK (692)	100.54	+0.0	83.93	96.40	2.89	100.53	84.16	96.69	102.91	80.27	85.69
Pacific Ex. Japan (219)	126.81	-1.5	105.86	110.97	4.34	128.75	107.79	110.93	137.68	87.51	92.75
World Ex. US (1879)	162.58	+0.4	135.72	135.46	1.60	161.98	135.60	135.18	162.58	120.26	130.24
World Ex. UK (2133)	146.01	+0.4	121.89	130.89	1.97	145.41	121.73	130.48	146.01	111.77	120.69
World Ex. So. Af. (2387)	146.63	+0.4	122.40	130.62	2.18	145.99	122.21	130.20	146.63	113.26	121.05
World Ex. Japan (1991)	121.23	+0.3	101.20	115.77	3.59	120.81	101.14	115.39	122.34	100.00	104.54
The World Index (2447)	146.49	+0.4	122.29	130.46	2.19	145.85	122.10	130.05	146.49	113.37	121.09

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

Latest prices were unavailable for this edition.